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China Leaders Face Tough Choices That May Threaten Party

By Patrick E. Tyler
New York Times Service

BEIJING — Under enormous pressure from the Clinton administration, China faces a series of decisions that could result in greater freedom of expression and guarantees of basic human rights that Chinese leaders have long considered a potential threat to the survival of Communist Party rule.

Already, there seems to be a new surge of democratic activity.

Late Wednesday, 11 dissidents daringly signed a two-page statement calling for the release of Qiu Yongmin, a young pamphleteer.

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dispatched by the Public Security Bureau last month for two years of hard labor. His crime was urging nonviolent political change in a "peace charter" written in November.

He joins thousands of others still imprisoned in China for the nonviolent expression of their political and religious beliefs. In his absence, his colleagues have vowed to continue speaking out.

Wei Jingsheng, China's most famous democracy campaigner, who emerged last fall from 14 years in prison, carried on a one-man free-speech movement this week by giving interviews to foreign journalists on democracy issues despite threats by the secret police to muzzle him.

These stirrings are expected to grow. The pressure to open the system up still further has come from President Bill Clinton's threat to cancel China's low-tariff access to the U.S. market unless Beijing makes "overall significant progress" in human rights, including freedom for significant numbers of political prisoners and Red Cross access to labor camps and detention centers.

The administration also wants China to loosen its emigration restrictions, stop jamming

foreign news broadcasts and come to terms with the long-simmering independence movement in Tibet.

Top officials, including President Jiang Zemin, have said China is "going to make an effort" this year to respond to Mr. Clinton's requirements.

If carried through, these decisions will disprove the conventional wisdom that China's leaders are paralyzed with indecision as they await the death of the senior leader, Deng Xiaoping.

It is too early to say whether China will expand on the initial steps it has taken or promised in recent meetings with Secretary of State Warren M. Christopher and other American officials.

But if China complies with the U.S. demands, the relaxation of freedoms could well reinvigorate the democracy movement that has been dormant in China since it last erupted in the spring of 1989, only to be crushed in Tiananmen Square.

Interviews with China scholars, Western diplomats and economists suggest that the next few months are critical to determining the future course of politics.

By threatening to force open China's closed and intolerant political system, Mr. Clinton has confronted the country's leaders with a dilemma.

Cancellation of China's favorable trade status could result in a painful setback for its remarkable economic expansion, although such a move would also hurt U.S. businesses that have been eager to invest in China.

But if China accepts the human-rights challenge, its Communist leaders may set themselves on a path to reform.

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A look at the ups and downs of four foreign companies doing business in China. Page 7



Yasser Arafat and Shimon Peres approaching the podium at the World Economic Forum on Sunday to announce an accord was near.

Arafat Sees Israel-PLO Blueprint 'Very Soon'

Both Sides Are Upbeat After Talks in Davos on Carrying Out Peace Plan

By William Drozdiak
Washington Post Service

DAVOS, Switzerland — Yasser Arafat, the PLO chairman, said Sunday after marathon talks with Foreign Minister Shimon Peres of Israel that the two sides expected to achieve a detailed blueprint "very, very soon" on how to carry out their historic peace plan.

Following eight hours of tortuous negotiations at this Alpine ski resort, Mr. Peres and Mr. Arafat told a gathering of world business and political leaders that the negotiators hoped to reach a final accord soon. That agreement would clear the way for Israeli military withdrawal and putting into effect Palestinian self-rule in the Gaza Strip and in the West Bank town of Jericho.

As if to underscore the serious nature of their intentions, they quickly returned to their hotel with their delegations Sunday night in an effort to surmount the last obstacles. Participants said they were eager to wrap up the deal before Mr. Peres leaves Monday on a scheduled weeklong trip to the United States.

In their joint appearance at the World Economic Forum, the two men displayed a warmth and understanding that Israeli and Palestinian officials said had blossomed remarkably during their encounters last week in Oslo and now in Davos.

Here in the setting of Thomas Mann's novel, Mr. Peres said, "We both look out in the morning on the Magic Mountain, knowing we must also negotiate its slippery heights" represented by the "worries, suspicions, hatreds and blood of victims."

Mr. Peres praised Mr. Arafat for making "a supreme effort to bring our two peoples together in the domain of peace and hope." He said after decades of enmity, Israel was now determined to make the Palestinian story one of "good neighborhood, peace and hope for the coming generations."

Mr. Arafat surprised observers when he applauded as the U.S. undersecretary of state for economic affairs and agriculture, Joan Spero, called for Arab states to abandon their boycott of suppliers to Israel. She called the boycott "a remnant of the past." It was believed to be Mr. Arafat's first public gesture of support to rescind the embargo.

The Palestinian leader said he felt touched by what he perceived as a sincere desire by Mr. Peres to achieve "a lasting peace for the sake of our children and that of future generations." He expressed confidence that "we can overcome all the gaps" so that a final agreement could be signed in Cairo soon.

In the wake of a breakthrough pact on mutual recognition that was conceived during

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To Cool Inflation, Beijing Bans Building Projects

Compiled by Our Staff From Dispatches

BEIJING — China banned construction projects for a year as part of its escalating war on inflation, although it said it would allow transportation and telecommunications projects, the official press reported Sunday.

A statement issued by the State Council, China's cabinet, also ordered a freeze on loans to nonstate projects, the closure of projects without approved sources of funds, and heavier guidance for foreign investors, the statement said.

In order to prevent further expansion of construction scale, in principle there will be no new construction projects approved this year," the statement said.

Analysis said that would not stop building of highways, power stations and raw materials plants already approved in the state plan. But they say it could stem the building of electronics plants, hotels and retail complexes,

which have soaked up money and pushed basic facilities to the limits. These projects, however, usually offer better returns on capital.

Late Sunday, in a report monitored in Hong Kong, the official Xinhua press agency said China would "continue to inject a large amount of funds in key transport and telecommunications construction projects."

Figures just made public by the State Statistical Bureau show the building boom continued unabated last year despite repeated attempts by Beijing to curb it.

Investment in fixed assets last year totaled \$136 billion, an astonishing 58 percent increase over 1992, with rises in the provinces of Zhejiang, Fujian, Guangdong, Guangxi and Hainan — all on the south and east coasts — double or nearly double the previous year.

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Hosokawa Victory: Still Long Way to Go

By Paul Blustein
Washington Post Service

TOKYO — Now that Japan has made its political system more democratic and less prone to corruption, it stands a better chance of making its economic system more open, consumer-driven and import-friendly, analysts say.

The approval on Saturday of sweeping anti-corruption and electoral reform measures, many analysts say, could mark an important step toward achieving the sorts of changes in Japanese economic policy that the United

States and some of Japan's other trading partners have been hoping for.

But the millennium is still a long way off.

Fundamental change in Japan's economy will take many years, if it ever comes at all. In

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the near term, Tokyo may actually become a source of greater frustration than ever for the Clinton administration.

In the longer run, however, the political reforms are a helpful and probably necessary

precursor to major shifts in policy long sought by Washington in its efforts to increase Japanese imports of goods and services from abroad.

These shifts in policy include putting a higher priority on the interests of consumers, reducing bureaucratic interference and control, and lowering barriers and regulations that protect powerful industries and interests.

James Fallows, author of a recently published book on Japan, who has voiced deep skepticism in the past about the nation's capacity to transform itself, said enactment of the political reforms "can be regarded as a step forward for the U.S., both in its Jeffersonian mode of wanting to promote democracy worldwide, and its Mickey Kantor mode." Mr. Kantor is the U.S. Special Trade Representative.

What Mr. Fallows and others find most

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Kiosk

U.S. Will Admit Head of Sinn Fein

WASHINGTON (Reuters) — The United States has granted Gerry Adams, head of Sinn Fein, the political wing of the Irish Republican Army, permission to attend a New York conference this week on Northern Ireland, a Clinton administration official said Sunday.

The official said strict ground rules have

been laid down. He will be allowed to stay only 48 hours, may not travel more than 25 miles (40 kilometers) from New York City, and cannot engage in "direct or indirect fund-raising," the official said.

Bridge Weather

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Bosnia Enclave In the Grip of 2d Cruel Winter

By John Pomfret
Washington Post Service

SREBRENICA, Bosnia-Herzegovina — Midway through their second winter of war, the people of this besieged enclave are a symbol of the cruel fate facing Muslims throughout Bosnia. Surrounded in a small pocket of their mountainous homeland by heavily armed Bosnian Serb fighters, the people of this shattered town pace the streets like caged animals.

In this mining town and about 60 square miles of wooded mountains around it, 44,000 people, mostly refugees, struggle to exist in what the United Nations has declared a "safe area." Cut off from the outside world by more than 2,500 Serbs, they are protected by about 150 Canadian infantrymen.

The intransigence of the Serbs and the mine of UN policy-making have trapped even the French Canadian soldiers. The United Nations has tried since November to persuade the Serbs to permit a company of Dutch reinforcements. Last week, the UN secretary-general, Boutros Boutros-Ghali, signaled his readiness to authorize air strikes against the Serbs if they continue to block the transfer.

In the first visit here by journalists in more than three months, two Western reporters found Srebrenica living a netherworld existence between war and peace. There is no offensive against the enclave, but on a typical day, about 100 shelling or sniping incidents break the cease-fire. Two weeks ago, nine Serbian shells

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SUNDAY BEST — Pete Sampras making a shot in the Australian Open as he won his third straight Grand Slam title. Page 17.

After Austrian's Downhill Death, Fiancé Faults Officials Over Safety

Compiled by Our Staff From Dispatches

GARMISCH-PARTENKIRCHEN, Germany — Ulrike Maier's fiancé strongly criticized ski officials Sunday for what he said were insufficient safety measures, and indicated that the family planned to sue for damages.

World Cup organizers, who defended their safety measures, said the accident that killed the Austrian skier could have happened on any downhill course in the world.

Maier, 26, the two-time women's super-giant slalom champion, swerved out of control, slammed into a timing device and broke her neck during a World Cup downhill race Saturday. She died in a nearby hospital two and a half hours later.

The state prosecutor opened an investigation Sunday into Maier's death and examined the scene of the crash.

Helmut Schweighofer, a policeman who had been Maier's long-time boyfriend, broke into tears when he visited the spot with his father

and the family lawyer. Schweighofer and Ulrike have a 4-year-old daughter, Melanie.

"We were planning to get married in September," Schweighofer said, "and now I have to carry her to her grave."

"It won't bring Ulrike back but I intend to fight FIS," he added, referring to the governing In-

ternational Ski Federation. "It may save another life."

"They only talk about improving safety but they never do anything," he said. "I can't understand that the timing post was padded only with straw."

Local organizers said the usual safety mea-

sures were in place and that they did not feel that they could be held responsible for Maier's death.

The timing device, which registered the intermediate times of the racers as they hurtled down the run, was padded with straw-filled sacks, about 50 centimeters thick, according to

the chief race referee, Kurt Hoch. He said those were "the normal safety measure."

"It could have happened at 50, 60 spots on any downhill in the world," said Hubert Ostler, head of the organizing committee.

He said that the inquiry, by the Munich state prosecutor, was routine in fatal accidents and that he expected the family to sue. "But we assume we cannot be held responsible for anything," he said.

Maier, a 10-year veteran of the World Cup circuit, was racing down the 2,865-meter Kandahar course at about 100 kph (60 mph) when she hit a patch of soft snow about two-thirds of the way down. She lost control of her right ski, hit the timing post with the back of her head, which knocked off her helmet, and tumbled uncontrollably down the hill, appearing to be hit by one of her skis that had snapped free.

Race emergency workers were quickly at her side. They administered mouth-to-mouth resus-

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9 Killed, 1 Missing in French Alpine Avalanches

Reuters

GRENOBLE, France — Nine people, five of them British doctors on vacation, were killed over the weekend in avalanches in the French Alps, officials said Sunday.

The Britons were in a group of seven, including a French ski instructor-guide, who were swept off a high ridge in the Val d'Isère area on Saturday, the police said. They had

gone for a daylong cross-country trek. All in the group were killed except one Briton, who managed to dig himself out of the snow and was rescued after spending the night in the open, the police said.

In a separate accident, one man was killed and another was missing after their ski slope maintenance vehicles were swept into Lake Mont Cenis before dawn on Sunday.

Also killed in separate avalanches were a French ski instructor, near Courchevel, and a German skier, who died in a Chambéry hospital.

Mountain rescue authorities warned skiers to avoid high-altitude cross-country skiing, saying recent snow was too loose and further avalanches were possible.

Q & A: A Banker's Prescription for Europe and Japan

Thomas G. Labrecque, the chairman of Chase Manhattan Corporation, has been the driving force behind the restructuring of the bank, and an advocate of dramatic change by companies in Europe and Japan. He spoke with Alan Friedman of the International Herald Tribune at the World Economic Forum in Davos, Switzerland.

Q. The U.S. economy ended 1993 with a strong 5.7 percent growth rate in the fourth quarter, but continental Europe and Japan remain mired in recession. What are the essential steps needed to get the European and Japanese economies moving again?

A. Too many people in the developed world are looking at this recession as a normal economic cycle. It is not a normal cycle. It's a secular change. In the United States we achieved recovery over the last three years without any fiscal pumping, but with a gradual relaxation of monetary policy that was not inflationary. At the same time American companies engaged in dramatic restructuring to

become competitive again. I think Europe and Japan are facing the same challenges we did and will have to take similar steps.

Q. Here at the Davos conference we have heard different views about the need for Europe to cut interest rates faster. Hans Tietmeyer, the Bundesbank president, rejected the idea of any rapid easing of monetary policy. What is your view?

A. My sense is that Alan Greenspan and the Federal Reserve did a good job of lowering rates. I would be more inclined to let European interest rates come down further, with a downward glide path for short-term rates. There appears to be room for another hundred basis points of reductions, and it is important to keep moving.

Q. The Bundesbank in particular is worried about rekindling inflation by cutting rates too quickly. Is that a valid concern?

A. I am not concerned about the inflation problem. But I would point out that reducing interest rates is no good without contemporaneous corporate restructuring.

Q. How far ahead of Europe and Japan is the U.S. economic cycle?

A. I would say at least two years. In 1990 and 1991 every U.S. economic projection was that we were just about to come out of recession and move into recovery within two or three quarters. But it took two and a half years.

Q. What then are the lessons Europe can learn from the American experience?

A. Since the middle of 1990 we at Chase have reduced our work force by 25 percent and boosted revenues by 35 percent. Big American industrial companies have been cutting their staff numbers, too. We are talking about dramatic change here, about the need for less people at all levels, including middle and upper management. There is no way for Europe and Japan to avoid streamlining and dramatic corporate restructuring.

Q. Yet many in Europe contend there are more structural problems, and more social resistance to massive job cuts. How do you respond to this?

A. There certainly are differences in terms of the safety net and the historical structure in Europe. But the rest of the

world won't wait, and restructuring can't be done half way. The Europeans can be as innovative as anybody if they understand the need.

Q. Has that level of understanding been reached in Europe?

A. On balance I don't think the consensus has been reached. I still see people trying to find short-term solutions. There are still too many people who think they don't have to change. The comment that Europe has more structural problems may be true, but that doesn't change the reality. And the Europeans and Japanese don't always want to hear it. It's a difficult message.

Q. On Friday, BankAmerica Corporation agreed to buy Continental Bank of Chicago for \$1.9 billion. What is the significance of the deal?

A. What is going on is that the American financial services industry is continuing to evolve, to take out excess capacity. You're going to see more mergers, more acquisitions and more consolidation. The BankAmerica deal is an example of this process, although it will be done in three different ways. Some deals will result in

wholesale-oriented banks like J.P. Morgan, others will lead to national consumer finance companies, and then you will see the purely regional banks. The U.S. banking system is now competing with all aspects of financial services.

Q. Among the major topics of discussion here at Davos is the parlous state of the Russian economy. Citicorp, your competitor, recently opened a full branch operation in Moscow. What are Chase Manhattan's plans?

A. We have a branch license and we will convert our representative office to a full branch this spring. But I expect to grow slowly in Russia and mainly serve our American customers there, along with some project finance.

Q. Have political developments in Russia and the apparent setback in reform efforts given you reason for concern?

A. Anything that sets back movement toward a market economy and the drive to reduce Russian inflation hurts. We are trying very hard to convince the Russians to move faster toward a market economy, and I think we might get there.

WORLD BRIEFS

Atmosphere Tense in Crimea Vote

SIMFEROPOL, Ukraine (AP) — Voters in Crimea voted Sunday in presidential elections amid worries that a victory by a pro-Russian candidate could threaten Ukraine's unity.

The runoff election pits Yuri Meshkov, who is backed by political movements favoring unity with Russia, against a former Communist, Nikolai Bagrov, who wants the Black Sea peninsula to remain part of Ukraine. Crimea was historically part of Russia, and recent Western security studies have warned that ethnic tensions could lead to a collision between Ukraine and Russia.

Political leaders in Crimea, home to a potentially explosive mix of Russians, Ukrainians and Muslim Tatars, are also concerned about the consequences of Sunday's election. Mr. Meshkov won 38.5 percent of the vote in the first round elections earlier this month, while Mr. Bagrov won 17.5 percent. Neither received the 50 percent needed for victory.

Berlin Protesters Stone Policemen

BONN (Reuters) — Left-wing protesters in Berlin turned violent while police in Bonn banned a far-right rally called to mark the 61st anniversary of Hitler's rise to power, the German police said on Sunday.

Demonstrators took to the streets of Berlin over the weekend, throwing stones at policemen and smearing buildings with paint in a protest against Germany's resurgent far-right groups and death threats from right-wing radicals. A Berlin police spokesman said two police officers were hurt and four militant leftists were arrested on Saturday.

On Sunday, about 1,000 people answered a call from the reformed Communist PDS party, successor to East Germany's hard-line Communists, to protest against murder threats from neo-Nazi radicals against visitors to a reform office in a Berlin suburb.

Mandela Calls for Peaceful Campaign

RUSTENBURG, South Africa (Reuters) — Nelson Mandela urged his African National Congress followers on Sunday to allow President Frederik W. de Klerk and his National Party to campaign freely in black townships for the April elections.

"I appeal to you not to harass him or members of his organization if they want to have meetings in our townships," he said. "I don't want that party, when they lose the election, to say they were unable to put their view to the public because of the activities of the ANC." He was speaking to about 6,000 people at a campaign rally in Rustenburg, in the western Transvaal.

Several attempts by the National Party and the predominantly white liberal Democratic Party to hold township election meetings have been disrupted by angry youths. The hostilities prevented Mr. de Klerk from touring two black townships in the western Transvaal and western Cape recently.

Cambodians Hit Khmer Rouge Base

PHNOM PENH (Reuters) — The Cambodian Army has started a campaign to capture a Khmer Rouge base at northern Anlong Veng, but so far fighting is on a small scale, Defense Minister General Tea Banh said Sunday.

"This is not a big military operation — it's just troop movement to reconnoiter the geography," General Tea Banh said. He said government military activity around Anlong Veng had increased since the middle of January, but declined to say how close government soldiers had approached to Anlong Veng.

Anlong Veng lies 310 kilometers (220 miles) northwest of Phnom Penh, and has served as the Khmer Rouge's key northern headquarters.

Japan Reported Near Nuclear Status

LONDON (AP) — Japan has acquired all the parts needed to make a nuclear weapon and may have built a bomb that requires only plutonium to be completed, The Sunday Times reported. The Ministry of Defense has warned Prime Minister John Major that North Korea's nuclear program may force Japan to abandon its nonnuclear stance, the newspaper said.

The risks were detailed in a paper to the Joint Intelligence Committee, the government's main security adviser to the cabinet. The Sunday Times said. Neither the Japanese nor the British government had any comment on the report. It says that Japan has bomb-making components including plutonium and electronic triggers "and has the expertise to go nuclear very quickly."

U.S. Troops Stir Anger in Colombia

BOGOTA (Reuters) — Americans living in Colombia fear that they could become targets for reprisal attacks by Marxist guerrillas lashing out against the presence of 150 U.S. troops in the country's southwest, Western diplomats say.

"Americans are very worried about the possibility of guerrilla attacks on U.S. targets over the troops issue," a diplomat said. The State Department warned Americans this week against traveling to Colombia. "Recent attacks have been targeted against American citizens and American institutions," it said.

The American soldiers arrived in Colombia in December on a training assignment to build a school, health clinic and road in the poor Pacific coast town of Juanchaco. But their arrival raised nationalist protest. Leftist politicians, union leaders and some newspapers have accused the Americans of planning covert actions against drug traffickers in Cali.

For the Record

Peter Leko of Hungary, 14, became the youngest chess grandmaster in history Sunday, finishing third in the elite Wijk aan Zee grandmasters tournament. (Reuters)

TRAVEL UPDATE

Snow Socks Greek Towns, Port Shut

ATHENS (AP) — Gale-force winds whipped through the Aegean Sea keeping ships in port on Sunday and snowstorms trapped scores of villages in northern Greece.

Winds reaching gale-force velocity in the Aegean forced ships to remain in port, leaving passengers on islands stranded. The cold weather caught many Greeks by surprise and sharply contrasted with the mild temperatures that Greece has been experiencing since November.

The snowstorms in the north left roads blocked to scores of villages. Extra snow removal equipment was sent to the areas. Many of Athens's northern suburbs were also blanketed with snow, making driving hazardous.

Paris's Georges Pompidou Center is in serious need of repairs, according to its director, Dominique Adry. She said that after 17 years and tens of thousands of visitors, it needs about \$68 million in repairs. (AP)

Greek motorists hold the European record for road deaths, newspapers reported Sunday in Athens. The death toll rose to 2,002 deaths last year, up from 1,760 deaths in 1992. In around 70 percent of accidents, motorists had broken the law, according to a police survey of the Athens region. (AFP)

Brunei's state-owned Royal Brunei Airlines has bought two Fokker-50 regional jets from the manufacturer to fly between Brunei and Malaysian and Philippine cities. (Reuters)

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

WEDNESDAY: Liechtenstein.

THURSDAY: Mozambique.

FRIDAY: Angola, Sri Lanka.

SATURDAY: Burundi, Mexico, Tanzania.

Sources: J.P. Morgan, Reuters.

U.S. Expedition in Somalia: The Making of a Disaster

By Rick Atkinson
Washington Post Service

MOGADISHU, Somalia — The beating blades swept in from the north, churning great dust clouds that soon obscured the whitewashed gleam of the Olympic Hotel, 50 yards down Hiwada Street from the target building. American soldiers leaped to the ground and ran toward the side gate of the compound.

Ahmed Warsame had just finished his afternoon prayers when he heard the helicopters. The 44-year-old, Italian-educated economist scrambled to his feet and peered out the second-story window. The other Somalis in the room, all loyal followers of the fugitive Somali militia leader Mohammed Farrah Aidid, darted in panic toward the window and then down the

stairs before being driven back by the approaching soldiers. It was 3:40 P.M. on Oct. 3.

Within 15 minutes, the assault was finished. A total of 20 Delta Force commandos in black body armor swept through the rooms, bellowing orders and shooting the Somalis together with their rifle bullets. A soldier forced Mr. Warsame face-down onto the green tile floor and fished his hands behind his back with plastic cuffs. Frodded down the stairs, he was herded with 23 other captives into a courtyard.

A Delta soldier spoke the word "Laurie" into his radio, giving the code that indicated all prisoners were secured. The Americans were ready to leave.

Yet, as the world soon learned, it was far from over. An additional 15 hours would elapse before the Americans would reach safety. By that time, 18 American soldiers would be dead and more than 80 wounded in a ferocious firefight with General Aidid's forces. Somali casualties would exceed 1,000. The American public, hardly aware the country was at war, clamored for an explanation. President Bill Clinton soon abandoned the manhunt for General Aidid and announced the withdrawal of all U.S. forces by the end of March.

This two-part series tries to answer many of the lingering questions surrounding the flawed American expedition in Somalia, including the role of Delta Force, the successes and failures of U.S. intelligence in Mogadishu, and the fateful decisions on which so many lives hinged.

The articles also detail the Somali perspective: the strategic preparations by General Aidid's militia leaders and countermeasures to U.S. military tactics. Close examination of the mission suggests that virtually all American commanders underestimated General Aidid's firepower.

The battle of Oct. 3 and 4 is a tale of miscalculation, bad luck and extraordinary personal valor by those in the fight. Those 15 hours contained the most intense combat by U.S. infantrymen since Vietnam, with consequences that immediately altered U.S. policy toward Somalia and are likely to shape American involvement in future foreign entanglements, either under a UN banner or otherwise.

Delta Force was alerted to begin preparations for a

Somalia mission shortly after an ambush on June 5 that left 24 Pakistani soldiers dead in Mogadishu, followed the next day by a UN Security Council resolution to apprehend "those responsible." On June 17, the UN operation in Somalia issued an arrest order for the chief suspect, General Aidid, who went into hiding.

The warning order to Delta Force, according to army sources, was routed to Major General William F. Garrison, commander of the Joint Special Operations Command at Fort Bragg, North Carolina, after consultations between General Wayne A. Downing, overall commander of U.S. special operations, and General Joseph P. Hoar, whose Central Command had responsibility for U.S. forces in Somalia.

Delta's initial plan, code-named "Caustic Brimstone," called for a relatively small force of 50 commandos to be deployed to Mogadishu on a single C-141 transport plane.

By August, in a plan code-named "Gothic Serpent," the proposed force included about 130 commandos from Delta's C Squadron, a Ranger company and 16 helicopters from Task Force 160, the army's special operations aviation unit. After four American soldiers were killed in Mogadishu by a commando-detonated mine on Aug. 8, these 400 troops, collectively dubbed Task Force Ranger, were ordered to Somalia by Mr. Clinton. Delta's participation remained classified.

To track General Aidid, the Central Intelligence Agency had about 20 principal Somali agents operating in the city, along with a wide network of lesser informants, according to military sources.

Most of these agents seemed to work only during the day, however. Apparently afraid to venture into Mogadishu's dangerous streets after sunset, they rarely provided "actionable intelligence" at night, when Delta preferred to operate.

On Sept. 7, frustrated by the paucity of useful intelligence, General Garrison authorized Phase Three, broadening the hunt to include "Tier One targets," as General Aidid's six lieutenants were known.

Each mission was built around a basic "template": Delta commandos would storm the target building; Rangers would ring the target for security, and helicopters would loiter overhead to control crowds and provide fire as needed. Variations were adapted in an attempt to keep General Aidid's militia off-balance, such as launching some missions at night, while others went in daylight. Task Force Ranger frequently sent bogus "signature flights" from the airfield to mislead spies.

Such efforts tried to compensate for the loss of strategic surprise, usually Delta's most vital asset. Despite attempts to vary the missions, a pattern had been established before Oct. 3.

General Aidid's Somali National Alliance militia had been developing a template of its own. South Mogadishu had been carved into 18 military sectors, each with a duty officer on alert at all times. A crude radio network tied them together. Although UN intelligence estimated that General Aidid had approx-



A U.S. Army soldier saluting a colonel while leaving the country from the Mogadishu port on Sunday.

imately 1,000 militia "regulars," Aidid officials put the number at closer to 12,000. Hundreds of rocket-propelled grenades had been stockpiled.

The tactical commander who would oversee the Oct. 3 battle was a tall, mustachioed 45-year-old artillery officer who had commanded a brigade in the Somali army before throwing in his lot with General Aidid in 1991.

Colonel Sharif Hassan Giunale had finished high school in Mogadishu in 1969, attended a Soviet military academy in Odessa for three years and received further training in Italy in 1989.

His concept was simple: Task Force Ranger stressed speed, so the militia had to react more quickly. The Americans' greatest technological advantage — helicopters — had to be neutralized with barrage fire using rocket-propelled grenades. The attacking force must be surrounded and its superior firepower offset by sheer numbers and swarming persistence. Ambushes and barricades would try to impede American reinforcements.

At 1 P.M. on Oct. 3, a Somali agent reported that General Aidid's lieutenants would meet near the Olympic Hotel. The gathering would include two Tier One targets: Omar Salad Elmi and Mohamed Hassan Awele. Ranger planners began plotting the mission. A Hughes 530 reconnaissance helicopter crew watched with a telescopic lens as the agent indicated the target building with a prearranged signal. He stopped his car, left the door open, raised the hood, lowered the hood, then drove on.

Shortly before 3 P.M., Major General Thomas M. Montgomery, commander of U.S. forces in Mogadishu returned from a visit to western Somalia to find a

workmen to build as many as 36 houses a day on the design created by his brother, Alfred.

"What it amounted to was a reversal of the Detroit assembly line," he said in a 1989 interview. "There, the car moved while the workers stayed at their stations. In the case of our houses, it was the workers who moved, doing the same jobs at different locations. To the best of my knowledge, no one had ever done that before."

Mr. Levitt went on to other projects and to fabulous wealth. In 1968, he sold Levitt & Sons to International Telephone and Telegraph for \$92 million. He lost much of his wealth in the 1970s and 1980s in business deals gone sour.

Nonetheless, in 1985 Mr. Levitt and his father and brother, who were associated with him for much of his career, were called by a noted urban historian, Kenneth Jackson, the family that had the greatest impact on postwar housing in the United States.

The company was an innovator in the design and construction of relatively inexpensive single-family

Task Force Ranger officer waiting at the UN compound with a book of aerial photographs and a description of the mission. "Bill," General Montgomery told General Garrison in a quick phone call to the airfield, "that's really Indian country. That's a bad place."

General Garrison knew that. For the first time, he had ordered his AH-64 Little Bird attack helicopters to carry rockets as well as machine-gun ammunition and to shoot threatening Somali gunmen rather than give them a chance to surrender.

At 3:40 P.M., four MH-60 Little Birds swooped into the streets around the building. As Delta troops rushed into the building, Rangers fast-rope from their UH-60 Black Hawks and established blocking positions around the compound's four corners.

Delta troops marshaled the Somali prisoners — including Mr. Awele, Mr. Salad Elmi and the terrified Ahmed Warsame — in the courtyard. Because the streets were too narrow to land the larger Black Hawks, the Americans and their captives, known collectively as "PC," for "prisoner cargo," would be extracted by a 12-vehicle convoy.

A Delta officer radioed the C Squadron commander, a lieutenant colonel, who was watching from a command-and-control helicopter overhead. "They, boss, I think we've got the guys you sent us in for."

But almost immediately another radio call sent a chill through those listening. From the cockpit of the Black Hawk designated Super 6-1 came a distress call from the pilot: "Six-One's going down! Six-One's going down!"

NEXT: The 15-hour battle

William Levitt Dies, Mass Home Builder

New York Times Service

NEW YORK — William Levitt, 86, the New York developer who built the prototype for the suburbs that would lure middle-class Americans out of cities by the millions after World War II, died of a progressive kidney disease Friday in Manhattan.

In 1947, he created Levittown, New York, where in the next four years, his firm, Levitt & Sons, built more than 17,000 cheap, nearly identical 800-square-foot houses, which sold for as little as \$7,990.

The community's houses were built much like cars on an assembly line. They were viewed by many as a modern marvel, a deliverance for GIs returning from war and other young adults who normally could not have afforded suburban homes.

To others, it was the insidious archetype of a dehumanizing world of uniformity. In Levittown's early years, some of its residents repainted their houses in odd color combinations to distinguish them from others in the neighborhood.

Still, Mr. Levitt was proud of his innovations, which allowed his

houses. It made a mark in the layout of suburban communities, creating immense — and, some critics said, monotonous — patterns of houses. It developed quick and cost-efficient house-construction techniques, making much use of prefabricated components. And its building helped shape ways of living in the suburbs.

Reuben Datz, 81, creator of DEERFIELD BEACH, Florida (AFP) — Reuben Datz, 81, who sold ice cream from a horse-drawn wagon before creating the Haagen-Dazs name that became an international success, died of a heart attack Thursday while vacationing here.

Mr. Datz sold homemade ice cream to small shops in the Bronx for 30 years before dreaming up the name Haagen-Datz. He figured New Yorkers would buy ice cream with an old-sounding name. The name, which meant nothing in any language, grew into a national premium brand before Mr. Datz sold it to Pillsbury in 1983.

"When I came out with Haagen-Datz, the quality of ice cream had deteriorated to the point where it was just sweet and cold," he said recently. "Ice cream had become cheaper and cheaper, so I just went the other way."

Bahjat Talhoumi of Jordan, 82, 8-Time Prime Minister AMMAN, Jordan (AP) — Bahjat Talhoumi, 82, who served as prime minister eight times between 1958 and 1970 and was considered a founder of modern Jordan, died Sunday, the government said.

Prime Minister Abdul Salam Majali paid tribute to Mr. Talhoumi, who also served as chief of the royal court. At the time of his death he was a member of the upper house of parliament, appointed by King Hussein.

Zaireans Flee Troops

NAIROBI — More than 800 Zaireans have fled into western Uganda to escape attacks by rampaging government troops, Ugandan officials said Sunday.

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THE AMERICAS / PAINFUL LESSONS ON DEPLOYMENT

White House Toughens Criteria for Peacekeeping Role

By Eric Schmitt
New York Times Service

WASHINGTON — The Clinton administration has completed work on a policy to limit U.S. military involvement in international peacekeeping, according to senior administration officials.

The policy, which prompted a major foreign-policy debate, sets minimum conditions for financing peacekeeping and for sending troops to join international missions that are far tougher than those that President Bill Clinton and his aides had discussed earlier.

Before Washington agrees to take part in an international operation, the administration has to be satisfied that international security is threatened, that a major disaster requires urgent relief or that a gross violation of human rights has to be addressed.

Another condition would be whether other nations would be willing to share in supporting an operation.

American troops would take part only after those and other conditions had been met and, in most cases, solely under U.S. command.

The new guidelines, a product of a long review, are a sharp departure from the early days of the administration.

Before his election, Mr. Clinton had called for the creation of a small permanent "rapid deployment force" for UN missions.

But after the painful lessons of Somalia, Haiti and Bosnia in the last year and tempered by public opinion, Mr. Clinton has steadily pulled back from his campaign comments.

In recent months he has premised any U.S. military involvement in UN operations on an increasingly restrictive set of conditions, and the new policy reflects that.

The United States plans to pull out all remaining troops in Somalia by March 31. The administration has defined its role in Bosnia in increasingly narrow terms, basically to help carry out a NATO commitment to use air strikes if necessary to open the airport at Tuzla to relief flights and to protect Canadian troops when they leave Srebrenica, which is under siege by Serbia.

Washington could still agree to allow U.S. troops to serve under foreign commanders, as they do now under classic UN peacekeeping operations, but just case by case and when certain conditions are met.

"It's more likely that the larger and more complex the operation, the less likely that U.S. troops will be placed under UN command," an official said.

The main principles of the plan, known as a draft Presidential Decision Directive, have been largely in place since November. But high-level approval was delayed while Pentagon and State Department officials quarreled about financial and political control of American involvement.

The agencies eventually agreed that if the United States contributed just financial aid or joined a classic peacekeeping operation, where troops monitor an agreement with the consent of all parties on the ground, the State Department would take the lead and foot the bills.

About 325 American troops now serve under UN command in Macedonia under such an arrangement.

The Pentagon would be politically and financially responsible for operations in which troops are permitted to use military might to enforce the peace like the U.S. effort in Somalia.

"The sticking point has been the funding issue, but all that is wrapped up now," a State Department official said. "After that it was just fine tuning to make it all work."

Senior administration officials said the policy was divided in these six sections:

- Guidelines for new UN operations and American involvement in them.
- The command and control of such operations.
- The roles of regional organizations.
- Steps to improve UN management of peacekeeping.

- The bureaucracy responsibilities for peacekeeping in the administration.
- Financing of the operations.

Once the administration determines that international security is seriously threatened or a disaster requires immediate aid, it would decide between two levels of involvement, helping to pay for a mission but not joining it or sending troops.

If the mission called for a traditional peacekeeping role like UN forces' monitoring a cease-fire, Washington would want to ensure that all sides agreed to the truce and that it was likely to hold.

If U.S. troops were part of an international army to impose peace on warring factions, the standards for participation would be much higher. Washington's security interests would have to be at stake, and American troops hadly needed.

The United States would have to be satisfied that its troop contribution was sufficient to ensure the military effectiveness of the force. The operation would have to have broad support in Congress.

Washington would also require that estimates for the total numbers of troops, their cost and a plan to remove them be agreed to in advance of joining any mission. U.S. troops might serve under a foreign commander, but Washington would never surrender its ultimate authority.

★POLITICAL NOTES★

Simpler Taxes? Don't Hold Your Breath

NEW YORK — The overwhelming complexity of the tax system may be increasingly recognized in Congress, but specialists say simplification measures now on the table will probably be deferred as the proposed health care overhaul and the tax issues related to it fill the 1994 calendar.

A bill cleared by the House Ways and Means Committee last year and reintroduced this year would, among other things, simplify the treatment of large partnerships, subchapter S corporations and foreign taxes. This measure, sponsored by Dan Rostenkowski, Democrat of Illinois and the committee chairman, is one of those "in the mercy of larger forces," an aide said. But a failure of the bill to move along this year "should not be construed as an unfriendly attitude."

Still, the United States may ultimately be driven to an entirely different system. A tax on sales, or consumption, appears the leading candidate. Senators John C. Danforth, Republican of Missouri, and David L. Boren, Democrat of Oklahoma, are expected to introduce a proposal soon. It aims to eliminate the corporate income tax, cut payroll taxes and increase the standard deduction for individuals. It would also impose a single-rate levy on business activity. (NYT)

Not a Crisis, Dole Says, Just a Bad Problem

WASHINGTON — The nation's health care system has "serious problems" that need reform, but they do not qualify as a crisis, according to the Senate Republican leader, Bob Dole of Kansas.

"I think we're making too much over whether this is a crisis or a serious problem," Mr. Dole said. "We don't want to get into a fight over whether there is a problem or a crisis."

Mr. Dole recently joined a growing number of Republicans who have questioned President Bill Clinton's premise that the health care system is in crisis and needs major change.

But in an interview with Kansas radio reporters, the senator said he wanted to shift the focus of the debate away from the refusal of Republicans and some Democrats in Congress to use the word "crisis" when describing the health care system.

He said that Republicans believe there are deep-rooted problems of access to health insurance and cost that must be solved. "I think there's a universal feeling that we have to reform health care."

He nevertheless criticized Mr. Clinton's plan for prescribing "a massive overuse of government control," adding that it would raise taxes and reduce the quality of care. (LAT)

Either 'Buyouts' or Massive Federal Layoffs

WASHINGTON — At least four federal departments and agencies probably will have to lay off thousands of employees this year unless Congress approves "buyouts" to speed voluntary departures, according to government officials.

The Agriculture, Interior and Transportation departments, as well as the Office of Personnel Management, are the most at risk of layoffs, the officials said, primarily because of tight budgets this year.

The government still hopes to avoid such layoffs, but pressure to hold down payroll costs will continue into next year. The budget for fiscal year 1995, which is due out Feb. 7, will require at least three more agencies to reduce personnel levels, said Christopher Edley, associate director of the Office of Management and Budget.

During the presidential campaign, Mr. Clinton pledged to cut the federal workforce by 100,000 employees by the end of fiscal 1995. He said it would be accomplished through attrition or voluntary departures. The work force reduction goal was increased by 152,000 last year after Vice President Al Gore completed a six-month performance review of the government.

But attrition rates throughout the government have fallen to historic lows, partly because of the recent economic slump. In general, federal employees appear fearful of taking their chances in the private sector when a number of major corporations are laying off workers. (WFP)

Quote/Unquote

Alexander M. Haig, former secretary of state, on the government's policy in the former Yugoslavia: "When you make a threat and you do not do it, you lose tremendous credibility globally." (NYT)

Away From Politics

- The use of a high-powered laser to literally blast holes in the heart is providing new hope for patients with severe coronary artery disease, researchers said. San Francisco Heart Institute pioneered the technique for those who have had bypass surgery and have no other treatment options. The holes allow blood to enter capillaries in the heart muscle, providing oxygen and nutrients to tissues starved by blocked arteries. Pain was reduced in 91 percent of the 46 patients in a clinical trial, and mobility was increased in 76 percent of the cases.
- The Coast Guard brought ashore 56 Haitians seeking political asylum after intercepting their wooden boat off Miami Beach, a spokesman said. The Haitians were turned over to the U.S. Immigration and Naturalization Service and were expected to be detained pending a ruling on their asylum claims.
- A judge has ruled that China's population control strategy is political persecution. Specialists said the decision by Judge T. S. Ellis III of U.S. District Court in Washington, in a political asylum case, could encourage a new wave of Chinese immigration and trigger more lawsuits for asylum.
- Two thirds of attacks against women are committed by someone they know, according to a Justice Department survey based on 400,000 inquiries from 1987 to 1991. It also found that injuries were almost twice as likely to occur if the attacker had been a husband or boyfriend rather than a stranger.



Lyle Menendez smiling as a mistrial was declared. At left is his attorney, Michael Burt.

Retrial Is Vowed in Parents' Murder

By Seth Mydans
New York Times Service

LOS ANGELES — District Attorney Gil Garcetti intends to retry Lyle and Erik Menendez for the murder of their wealthy parents following a hopelessly divided jury that said it was unable to reach a verdict.

"We have an ethical, professional, moral responsibility to go forward with this case as a first-degree murder case," Mr. Garcetti said after the judge declared a mistrial. "This may cost \$1 million. We are seeking justice, and that is what we are going to do, and be damned with how much money it is going to cost."

Lawyers for both sides said the balance could tip toward the prosecution next time, with prosecutors fully aware of the defense strategy and defendants running out of money and emotional energy to make their case at a second trial.

The six-month trial of Lyle and Erik Menendez left unresolved a tangle of legal, emotional and moral questions.

The jury in the case of the older brother, Lyle, 26, deadlocked Friday, two weeks after a separate jury deadlocked in the case of Erik, 23.

Both sets of jurors agreed that a crime had been committed when the brothers shot and killed their parents, Jose and Kitty Menendez, as they watched television in their Beverly Hills home on Aug. 20, 1989. But both juries remained divided over whether that crime constituted murder.

The outcome was a qualified victory for the defense in a case in which the brothers admitted to the killings but claimed that they had acted in self-defense after years of sexual and emotional abuse by their father. The prosecutors charged that the brothers killed their parents to inherit their \$14 million estate.

But the range of votes on both panels failed to answer the core question of whether or to what degree a history of child molestation can justify parricide. Only three of Lyle's jurors voted for the most serious charge of first-degree murder in the shooting of his father, while five did so on Erik's jury. There were 12 on each panel.

Judge Stanley M. Weisberg of Superior Court scheduled a hearing for Feb. 28 at which he said he would schedule a new trial within two months of that date.

The brothers faced possible death sentences if convicted of first-degree murder. If found guilty of the least serious count, they could have been free because of the four years they have spent in jail awaiting trial. The deadlock meant that they would remain in jail.

Accounts by jurors on both panels and by lawyers who interviewed them on Friday indicated that the 19 days of deliberation by Erik's jury and the 25 days by Lyle's were emotional and, in Erik's panel, sometimes stormy.

The sex of the jurors played a significant role in the deliberations in Erik's case, lawyers for both sides and one alternate juror said, with five of the six men voting for first-degree murder and everyone else voting for lesser charges.

Kenneth Pearson, 44, the alternate juror, said "Most of the women felt he wasn't guilty. The men felt he was."

Current and former career officials say Ms. Reno works hard, but has not yet mastered the transition from Dade County prosecutor to attorney general.

Some lawyers contend she provides them insufficient guidance with a managerial style that consists of quizzing them about lists of issues she has itemized on a yellow legal pad.

Supporters of Ms. Reno say she has faced a daunting array of issues

Reno in the Mirror: Departure Of Deputy Reflects on Her

By David Johnston
New York Times Service

WASHINGTON — Attorney General Janet Reno's decision to jettison her deputy seemed to be at least partly an attempt to answer criticism of her own performance by dismissing a high-ranking subordinate.

But whether the replacement of Philip Heymann, the No. 2 official at the Justice Department, will bring substantial improvement at an agency that has drifted indecisively through the first year of the Clinton administration is uncertain.

Ms. Reno's aides said she had lost patience with Mr. Heymann's approach and was concentrating on finding a decisive, seasoned professional to succeed him.

But other officials at the Justice Department, who spoke on condition of anonymity, said some of the managerial problems at the department were not entirely the fault of Mr. Heymann, who left Thursday.

These officials say Ms. Reno has seemed indecisive, losing focus by taking on too many issues, haphazardly moving from project to project and at times appearing to be struggling to manage the department, which has a staff of 90,000 people.

The officials, including some who say they hope she succeeds, insist that the public impression of Ms. Reno as the guilty Florida prosecutor who took responsibility for the year gas assault in Waco, Texas, last April is at odds with the attorney general they see on day-to-day basis.

ing of local prosecutors and political leaders from New York.

Earlier this week, she announced that she was reversing her position again, and would convene a federal grand jury in the case. Her critics in the department said her twists and turns made her appear indecisive.

Ms. Reno's aides said her decision reflected an attempt to demonstrate that the government would make every effort to bring wrongdoers to justice.

Accusations of indecisiveness also trailed her decision to appoint an independent prosecutor to investigate the Whitewater case involving Mr. Clinton's Arkansas real estate dealings. Her decision led to the appointment of Robert Fiske Jr., a Republican who is a former U.S. attorney.

Her decision followed weeks in which she dismissed the idea of bringing in someone from outside to take over the Justice Department's investigation, saying that no one she named could be viewed as truly independent.

But she dropped her resistance after Mr. Clinton made the request. At least part of the aura of confusion stems from the continuing complaints about Ms. Reno at the White House.

Some Clinton aides criticized her frequent speeches emphasizing the social dimensions of crime when Mr. Clinton has tried to strike a tougher tone.

NEWS ANALYSIS

that went unsolved under 12 years of Republican control at the Justice Department.

These officials say her inexperience in federal issues and her late start as President Bill Clinton's third choice for the job meant she faced a higher job than most cabinet members.

Carl Stern, a spokesman for the department, said Ms. Reno needs a strong manager as her deputy because she spins off ideas and is pursuing a course that has made the agency busier than at any time since Jimmy Carter's presidency.

"This is a very active place," he said. "There hasn't been this much going on since Griffin Bell," Mr. Carter's attorney general.

Ms. Reno has also been distracted by the time-consuming effort to assemble her team, particularly in crucial areas like the civil rights and environment divisions, where Democrats had hoped the Clinton administration would make quick and solid advances.

At times, what Ms. Reno's aides interpreted as an effort to respond to public concern has been viewed by lawyers at the department as caving in to political pressure.

In one instance, Ms. Reno and her civil rights aides spent months reviewing whether to pursue a federal civil rights investigation in the killing of a rabbinical student in the Crown Heights section of Brooklyn, during riots there in 1991.

On the day she planned to announce that the department was dropping the case, she agreed to reevaluate her position at the urging of local prosecutors and political leaders from New York.

2 Brazil Hospitals Face Inquiry in Baby Deaths

RIO DE JANEIRO — Thirty-five newborn babies died during the last two months of infection contracted at two hospitals in São Paulo, a Brazilian newspaper reported Sunday.

The maternity wards at the hospitals were closed for investigations, the Rio daily O Globo said.

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Must U.S. Offer Jobs to 2.3 Million?

By Jason DeParle
New York Times Service

WASHINGTON — President Bill Clinton's pledge to make welfare recipients work could require a much larger public jobs program than previously acknowledged, according to a confidential paper that is the subject of sharp dispute inside the administration.

A preliminary estimate prepared by the Department of Health and Human Services suggests that as many as 2.3 million people could be subject to the work requirements when the program is put into effect. To put them all to work would require three to four times the number of jobs the administration appears willing to create.

No one is contemplating a program that large and expensive, and several government officials said the computer projection greatly exaggerated the problem.

One official, giving what he called the first reliable estimates of the work program, said the government would ultimately need to create 500,000 to a million jobs, an undertaking that is itself virtually unparalleled in the last half-century.

But other analysts have called the estimate of 2.3 million a useful benchmark that illustrates the difficulty President Clinton faces as he struggles to fulfill a popular campaign pledge.

Mr. Clinton vowed last week to send Congress a bill this spring that would offer training opportunities for welfare recipients and require those still on the rolls after two years to join a work program. The government would either subsidize private jobs or provide community service positions in the public sector. The jobs would probably pay the minimum wage.

The president is under pressure to proceed with his welfare program, even though many in the administration fear that the move will bring a fractious congressional fight and may stall the debate over universal health care.

The paper suggesting the need for 2.3 million jobs has not circulated among most of the 32 members of the working group charged with drafting the welfare plan. It was discussed at a departmental meeting Jan. 14 and disclosed by an official who opposes the work program, arguing that it could cost a lot of money without helping poor people.

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AMERICAN TOPICS

Don't Resell Confiscated Guns, Mayors Urge, Melt Them Down

Four big-city mayors, contending that municipalities that sell confiscated guns could be making the U.S. crime problem worse, have urged their colleagues to sacrifice money from gun sales and melt the weapons down.

"It doesn't make sense for cities to be in the business of gunrunning," said the mayor of Phoenix, Paul Johnson. Joining him were Richard Daley of Chicago, Wellington Webb of Denver and Deedee Corradini of Salt Lake City.

Mayor Johnson said Phoenix reaped only about \$100,000 a year from reselling guns. "That meant to us maybe two additional police officers," he said. "Is it worth the offsetting factors?"

The four mayors were in Washington for the annual winter meeting of the U.S. Conference of Mayors. They said that many cities have gun meltdown programs, but the effectiveness is diluted when other government entities can come into city limits and sell weapons.

Earlier this month, the U.S. government announced it would no longer allow federal agencies to sell guns to private dealers.

About People

Spencer Crew, 45, is the first black to become director of the Smithsonian Institution's National Museum of American History. An urban historian, he has been a member of the museum staff for 13 years, and acting director for the past year. Mr. Crew has a bachelor's degree from Brown University and a master's and doctorate from Rutgers. The museum draws about 2.5 million visitors a year. Exhibits include First Ladies' inaugural gowns, Dorothy's ruby slippers from the film "The Wizard of Oz" and Duke Ellington's records.

The former champion golfer Ben Hogan was asked by Nick Faldo, one of today's champions, the secret to winning the U.S. Open. Hogan replied, "Shoot a lower score than everyone else."

Short Takes

"Going to federal prison for the first time?" says the classified newspaper ad. "We will tell you what to expect and how to survive. Our consultants are graduates of the federal prison system." Frank Sweeney, who placed the ad, has spent much of his life in prison for swindling, mail fraud and the like. He says he has had 27 clients since November; the standard fee \$200. Mr. Sweeney, 50, works with two fellow ex-convicts. Some tips: feign mental illness and get a private cell. Claim physical illness to get out of work; a cane helps. Ask to be put on a special health or religious diet, which is usually better than regular prison food.

New Jersey's "death-row dog" has been spared from execution by order of the new governor, Christie Whitman. But she ruled that Taro, a 5-year-old Akita, must spend the rest of his life outside the Garden State. Officials had been flooded with appeals for clemency, including one from the French actress Brigitte Bardot. Taro had either bitten or scratched the lower lip of her owners' 10-year-old niece. They argued that the girl had provoked him. Taro had been impounded since March 1991. Mrs. Whitman, in issuing her order, said: "This has been going on long enough. It's time to move on."

A reader asks Judith Martin, who writes the syndicated Miss Manners column, if one should answer the telephone when playing cards with invited friends, or leave it to the answering machine. The reply: "Why do you have an answering machine? Because you can't afford a butler, Miss Manners presumes. You certainly need something, if not someone, to avoid leaving your guests sitting around a table holding their cards helplessly and exchanging exasperated looks while you chatter with someone who isn't even there."

Arthur Higbee



Taro finally got a reprieve after being held nearly three years.

JAPAN: Reform Is on the Way, but Millennium Is Still a Long Way Off

Continued from Page 1

promising about the reforms is the increased likelihood that a system of two or three major parties will emerge, with at least one bidding for power by appealing to urban dwellers, consumers and other groups that feel their living standards have been sacrificed during Japan's post-war race to industrialize.

Up to last summer, the government had been controlled for 38 years by the Liberal Democratic Party, with its strong ties to industry, farmers, small shopkeepers and other interests. The current ruling coalition is a patchwork of eight smaller parties with widely divergent agendas.

"What will happen in the long run is the creation of a major moderate party that represents mainstream citizens' values," Kuniko Inoguchi, a professor at Sophia University, predicted. "It will be for the consumer, and for deregulation."

The reforms help engender such an outcome by scrapping the rules under which electoral districts would send as many as four or five members of parliament to the Diet, or parliament.

Those old rules were widely criticized as anti-

democratic because they tended to make election campaigns devoid of policy debates. The incentives favored the practice of "money politics," in which several Liberal Democrats would compete against each other for office by doling out favors to constituents and contributors.

Under the new rules, several important changes will take place.

First, urban areas will get substantially more representation than in the past, when rural districts have enjoyed a hugely disproportionate number of seats.

Second, controls on corporate campaign contributions will be tightened substantially, though this provision was watered down in a last-minute compromise.

Third, and perhaps most important, the multi-seat districts will be replaced with a system in which 300 Diet seats will be chosen from single-member districts, and the other 200 seats divided up according to the number of votes each party receives. Political scientists say they believe such rules give the existing parties the incentive to realign themselves into two or three big blocs, each one capable of winning control of the government.

Moreover, the new rules should gradually curb the phenomenon of powerful Diet *zoku*, or tribes, which join with bureaucrats to protect and influence key industries.

The resolution of the political reform issue also enables Prime Minister Morihiro Hosokawa to turn his attention to his long-cherished goal of scrapping regulations and curbing the enormous influence of the elite civil service.

The prime minister's initial forays against bureaucratic power have proven disappointing, with a highly touted advisory panel handing in a list of ideas for deregulation that was widely criticized as lacking specifics. Many experts contend that bureaucracy's clout has actually increased under Mr. Hosokawa's regime because of the political fragility and inexperience of the coalition.

Mr. Hosokawa and his allies have made no secret of their low esteem for the bureaucracy.

"The politicians have fought this battle among themselves over political reform and compromised," said Jesper Koll, chief economist at S.G. Warburg Securities (Japan) Inc. and a former aide to a member of parliament. "Now the battle really begins — the battle between politicians and bureaucrats."

Nunn Is Urging Moderation on China Trade Ban

Continued from Page 1

WASHINGTON — Senator Sam Nunn, a leading foreign policy figure in Congress, urged moderation Sunday in U.S. policy toward China, saying that nation's most-favored-nation trading status should not be eliminated across the board if Beijing fails to improve human rights conditions.

Mr. Nunn, a Georgia Democrat who is chairman of the Senate Armed Services Committee, made the comment in a broadcast interview as he discussed security issues arising from North Korea's refusal to permit full inspection of its nuclear facilities.

"We need to keep the pressure on human rights," Mr. Nunn said, "but I think using the total cutoff of MFN is too heavy a weapon, particularly when we have the other stakes in Northeast Asia, with North Korea."

BEIJING: Decisions Could Lead to Greater Freedoms

Continued from Page 1

selves on a path to extinction. The collapse of Communist rule, many Chinese leaders fear, could ignite social chaos, even civil war.

"The fear of social chaos is over far below the surface in their planning and thinking," said a senior Western official, who works closely with top leaders on economic and development issues.

Between the extremes, a middle path for political reform in China seems possible, but it is seldom debated, since the Communist Party considers power-sharing another form of suicide.

Many economists say the key to China's uninterrupted expansion lies in the United States, where China sold as much as \$40 billion in goods in 1993, a phenomenal leap from \$2.5 billion in sales just 10 years earlier.

Thus, when the history of China at the end of the 20th century is written, it will have to be asked whether this group of colorful Communist cadres, the successors of Mao and Mr. Deng, nurtured or undermined the largest economic expansion in China's history.

To protect this huge export market in America, China must change, Mr. Clinton says, and there are several basic questions about that change. First among them is whether the Chinese leadership can make tough decisions, or whether it is too paralyzed by factional rivalries as it awaits the death of Mr. Deng, who is 89 and in declining health.

The conventional wisdom for some time has been that China's leaders are seized by an abundance of political caution. This analysis holds that no leader wants to appear as having made concessions to the United States, especially on human rights or democracy issues, for fear of losing out in any power struggle with hard-line factions after Mr. Deng's death.

Two previous Chinese leaders, Hu Yaobang in 1987 and Zhao Ziyang in 1989, lost their jobs by showing sympathy for democratic reform.

But in the last several months, Chinese leaders seem to be paving the way for some major new decisions on human rights.

For the first time in 45 years, they have entered detailed discussions with the International Committee of the Red Cross about opening Chinese prisons. Such a decision would allow Red Cross workers to visit any political prisoner and determine if he or she was being tortured or mistreated.

In Paris recently, Foreign Minister Qian Qichen told Mr. Christopher that China would for the first time give detailed information on the list of 235 Chinese political prisoners compiled by Washington last fall.

A Hong Kong human rights campaigner, John T. Kamm, said that China might have already quietly released 30 to 60 political prisoners whose names were among the 235. There are also some signs, Mr. Kamm says, that China is putting greater emphasis on political prisoners on "medical parole."



A Muslim woman and an armed escort in the Muslim cemetery in Sarajevo's Old Town on Sunday.

BUILDING: China Bans Construction for a Year

Continued from Page 1

one year, the bureau said. The biggest construction increases were funded with capital raised by the builder himself or by foreign investment, throwing doubt on whether the State Council's order will actually cool the boom.

Projects that are bank-financed are easier for the government to stop through its control of the banks, analysts said. Privately financed projects require only the approvals of local officials.

The construction boom has outpaced increases in the output of steel, cement and other building materials, forming a key element in pushing up the rate of inflation.

Bureau figures show the rate for all 1993 at 14.5 percent nationwide and 19.6 percent in the major cities, where the year-on-year rate to December rose to 23.9 percent.

The construction boom is one of several unstable economic factors, the China News Service said in a somber forecast for the economy in 1994.

It said many places were waiting for Beijing to give them more authority in order to start many new projects.

It said the authorities started loosening controls on credit in September, so there was fast growth in cash and loans in the fourth quarter.

If this excess rate of credit-easing continues, the economy will start overheating again, it warned.

Other unstable factors were last year's large trade deficit, which is putting pressure on China's balance of payments, and the public's fear of inflation, which led to panic buying in some places last year, it said.

The construction budget for the Ministry of Railways will reach \$4.8 billion this year, almost double the \$2.6 billion last year, the press agency said.

Construction funding for the Ministry of Posts and Telecommunications will increase more than 25 percent, from \$4.6 billion in 1993 to \$6.2 billion this year.

The State Council announcement came after a speech by Zhu Rongji, deputy prime minister in charge of the economy, in which he criticized some officials for being overzealous in starting new projects.

Potential risks arising from far-reaching economic reforms being introduced this year lie "not in the reform itself, but in the overheated expansion of capital investment," Mr. Zhu told an ideological and press work conference last week.

The State Council circular called on the central People's Bank of China, of which Mr. Zhu is governor,

to "keep a close watch" on loans for fixed-asset investment to insure they were not diverted to unauthorized projects.

China's last bout of high-speed growth ended in 1988, when 18 percent nationwide inflation prompted panic buying and bank runs. That in turn fueled the Tiananmen Square protest in 1989 calling for greater democracy.

"Strict control over the scale of fixed asset investment is related to whether reforms this year can progress smoothly or not and whether the economy can continue healthy development or not," the council said.

The notice did not outline limits on loans to loss-making state companies or a lower target growth for credit this year, something that some Western economists recognize.

It was also unclear how the government in Beijing would enforce the notice.

In the urban consumer basket in December, the highest increase was for fresh vegetables, up 46.5 percent from a year earlier, and for grain, up 42.4 percent.

Worst hit were Hainan, capital of Hainan province, with 34 percent, and Nanjing, capital of Jiangsu province, with 33.6 percent. Both are in the booming south.

(AFP, Bloomberg, Reuters)

RUSSIA: Organized Crime Has Nation by the Throat

Continued from Page 1

information from bank accounts to select which companies to exploit and how much to demand in payoffs.

The report to Mr. Yeltsin was based on "dozens, even hundreds" of interviews with entrepreneurs in major cities, said Pyotr S. Filippov, an economist and former parliamentary deputy who heads the Analytical Center, which is part of the president's administration.

"Over the last six months, the situation has become much worse because it has met with no resistance," said Mr. Filippov. He said Mr. Yeltsin's aides had not responded to the report, which was sent to them on Jan. 17.

In the last two years, the government has made several attempts to fight crime and corruption, which have contributed greatly to public discontent. But none have managed to curb the criminality and lawlessness that now pervade life and business in Russia.

Moreover, overtaxation, heavy regulations and haphazard enforcement have all reinforced the criminal atmosphere, the report said.

In the absence of a functioning court system, and confronted with the indifference and even hostility of a corrupt police force, even law-abiding entrepreneurs find themselves sucked into the criminal world as they

look to private security agencies for protection and as a means of collecting debts.

"An entire generation is growing up for whom this situation is normal and who in such circumstances will not turn to official authorities, but to unofficial ones," the report said.

Mr. Filippov made a series of sweeping proposals, including an elite, high-salaried anti-crime unit answerable only to the president that would be granted special police powers.

His most emphatic recommendation was that the unit not hire anyone who had worked in either the old Interior Ministry or in the Security Ministry, both of which have been rendered ineffective by their complicity in illegal activities.

The Interior Ministry says criminal organizations committed 355,500 crimes last year, a 27.8 percent rise from 1992. But the report to Mr. Yeltsin uses the term "organized crime" loosely, including racketeers, shady business executives and corrupt bureaucrats.

In general, it said, organized crime controls about 40,000 businesses, 2,000 in the state sector.

The report said criminal groups had moved aggressively into new commercial operations where they employ their old methods of racketeering, kidnapping and murder to intimidate competitors.

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ACCORD: Arafat Sees a Detailed Plan 'Very Soon'

Continued from Page 1

months of secret diplomacy, Israel and the Palestine Liberation Organization have found their monumental leap toward reconciliation has bogged down in a legalistic quagmire.

In a memorable September ceremony at the White House, when Mr. Arafat and Prime Minister Yitzhak Rabin of Israel ended decades of bitter enmity with a handshake, the two sides signed a declaration of principles calling for Israeli military withdrawal from the autonomous zones and the transfer of administrative control to Palestinian authorities.

But the timetable slipped when Israel refused to start pulling its military forces out of the occupied areas as planned on Dec. 13 because of disagreements over the control of border crossings, the territorial scope of Palestinian jurisdiction over Jericho and security for Israeli settlements.

Authority over the entry and exit of people into the zones has posed the most difficult problem. The Palestinians insisted they must remain ultimate arbiters once sovereignty passed into their hands, but the Israelis said their responsibility for external security demanded a right to forbid the entry of suspected terrorists or other undesirables.

The two sides have explored a range of compromises, focusing on joint patrols and shared authority at the frontiers. One proposal called for use of a one-way mirror so that Israeli guards could watch for undesirable travelers while allowing Palestinian guards to handle all paperwork. Any negotiation by

Israel's police would have to take place in the presence of a Palestinian lawyer.

Israel has insisted that the security of its settlements in the Gaza Strip and the West Bank must be assured by permitting Israeli troops to guard the roads in and out of the settler compounds. Whether they would share jurisdiction with Palestinian police at sporadic checkpoints remains unclear.

The negotiators have clashed over the size of the Jericho district, which Israel had wanted to restrict to about 20 square miles (52 square kilometers) while the Palestinians demanded 80 square miles. Sources close to the talks say the issue is close to resolution.

Under the Washington agreements, a full Israeli military withdrawal is not required to be completed until April 13. But both sides have become anxious about breaking the deadlock because of growing violence and disenchantment in both camps.

In addition, promises of foreign aid and investment to rebuild the infrastructure in Gaza and Jericho have been held up by uncertainty over the transition to Palestinian self-rule.

Both sides acknowledge they can only convince skeptical Palestinians about the value of the peace plan if they produce tangible improvement in living conditions.

Mr. Arafat said the PLO development plan calls for more than \$13 billion over the next seven years to rehabilitate Gaza and Jericho. He said another Marshall Plan will be necessary to uproot the poverty and despair feeding "extremist and fanatic groups."

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SIEGE: 2d Cruel Winter

Continued from Page 1

blasted the town center, wounding seven people.

There is no epidemic of disease, but the lack of any real hospital and death comes easily from injuries or illnesses that would be routinely cured elsewhere. There is no starvation, but with Serbs always able to choke off the UN convoys that feed this town, the threat of hunger is always near.

There is almost literally no way out. A nine-hour hike over footpaths through Serb-held mountains leads to another isolated enclave, the UN safe area of Zepa.

People here said some made the trek to buy black-market goods from the Ukrainian UN soldiers there, who are more amenable to deals than the stricter Canadians. Another possibility is a seven-day trek north to Tuzla, the biggest Muslim-held area in Bosnia.

But many of those who try the paths simply disappear.

As do Muslims throughout Bosnia, the mostly Muslim population here wonders if the town — or the country — has any future at all. In a sign of cynicism and despair, people have renamed a main road Profiter's Street, in recognition that black marketeers control much of life. Another is called Palestinian Way, a reference to what many fear is their future: life in a ghetto surrounded by an occupying army.

The Canadian troops say they find their job essentially impossible. According to the Security Council mandate that established the safe area, they are supposed to be protecting against Serbian incursions and dismantling the local Muslim militia. But, as in the other four designated safe areas in Bosnia, there are far too few UN troops here to perform those tasks.

The recently departed commander of UN forces in Bosnia, Lieutenant General Francis Biquet, sought at least 1,000 troops for Srebrenica, but had problems getting anyone at all to come.

Wrangling within the United Nations blocked him from assigning a battalion of Nordic troops. When the original Canadian force was relieved in November, the replacement components were at least 100 soldiers smaller than the first one, which forced the group to close 5 of 13 observation posts along the front line.

"We have to make do with what we have," said Major Yvan Bonchard, 32, the Canadian officer who commands the company. "But really, it isn't much."

Talk in Western capitals about air strikes to force the Serbs to let the Canadians leave dismisses the UN soldiers here because they think such a maneuver would mean death. It worries local leaders, too.

"If they did it, the Serbs would turn all their guns onto the city and the safe area," said a Canadian veteran, a Fuhadri Sahihovic, who is the wartime mayor.

A UN peacekeeper was more terse. "There would be a lot of dead Canadians," he said. "And no one would be able to help us."

The Security Council proclaimed Srebrenica a safe area in April after a Serbian offensive almost razed the town. Serbian forces had already devastated two outlying areas in a brutal offensive that prompted the then-commander of UN forces in Bosnia, Lieutenant General Philippe Morillon of France, to travel here in a dramatic gesture to save the local people.

But in May, when General Morillon negotiated the terms of the safe area, he neglected to leave the town with a water supply. He cut its power area of 212 square miles (548 square kilometers) to 56 square miles. Refugees crowded into the territory, which embraced the town and about 30 outlying settlements. Population swelled from about 30,000 to 44,000.

Srebrenica's plight highlights the outside world's role in the war. General Morillon, the Security Council and now the Canadians undoubtedly have saved thousands from death or refugee status. But they have managed to offer only food and cramped shelter. Freedom of travel, which is formally guaranteed under the safe-area mandate, is only a dream.

Not is there work. The five factories have been blown to smithereens. Some young men spend their days falling trees from the balding hills that used to surround the city in a ring of green. Most others, along with women and children, spend their time playing out a ghostly ritual on the streets.

They pace — by the thousands.

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Bosnian Serb Warns on Tuzla Aid Planes Won't 'Take Off Again,' He Says

SARAJEVO, Bosnia-Herzegovina — A Bosnian Serb army commander warned the West on Sunday not to use force to open the Muslim-controlled airport at Tuzla, saying any plane that landed would "never take off again."

General Manojlo Milovanovic said his enemies wanted the airport in the central town to help them carry out their military objectives.

"Because of that, not one plane must land at Tuzla airport," General Milovanovic told Tanjug press agency, adding that his units had the spot "within their gun sights."

The United Nations and the North Atlantic Treaty Organization have threatened to use air strikes to open the airport so that relief agencies can deliver aid to millions of trapped people.

With no snipers near the airport and a clear approach to the intact runway, UN military officers have recommended Tuzla as an alternative to land routes through central Bosnia, where battles between Bosnian Croats and Muslim-led forces continually hinder convoys.

At a recent NATO summit meeting, leaders said selective air strikes would be used if needed to open the Tuzla airport and relieve Canadian UN troops in the Muslim "safe area" of Srebrenica.

Bosnian Serbs said that they had no objection to Dutch troops replacing the Canadians, but that Tuzla was another matter.

The UN secretary-general, Boutros Boutros Ghali, said Friday that he had delegated to his special representative in the former Yugoslavia, Yasushi Akashi, the authority to approve any request for close air support from the commander of the UN Protection Force in either Tuzla or Srebrenica.

Until recently Mr. Boutros Ghali has insisted on retaining the right to approve first use of air power provided by NATO countries.

Anarchy in central Bosnia prompted Britain to suspend aid convoys after one of its convoy drivers was killed, allegedly by Muslim gunmen. But the British Overseas Development Administration, which is responsible for humanitarian relief, said Sunday that its operations would restart Monday and that its convoys would be escorted by British troops.

Bosnian authorities said they had detained four men in connection with the abduction of three British aid workers and the killing of one of them.



CHANGING THE GUARD — Robert Hue, 47, the new secretary-general of the French Communist Party, being congratulated by his predecessor, 73-year-old Georges Marchais, the party's leader since 1972. Mr. Hue was chosen by the 28th party congress, which was held in Paris.

U.S. to Monitor Serbs From Albania

New York Times Service

WASHINGTON — The cold war really is over. The Central Intelligence Agency will use Albania, once the most isolated and xenophobic Iron Curtain country, as a base for a new U.S. spy plane to monitor the war in the former Yugoslavia, according to defense officials.

The CIA approached Albania for permission to use its territory after Italy, a North Atlantic Treaty Organization partner of the United States, refused to allow the agency to operate from Italian airfields.

The imploded plane, called the Gnat, has a range of only 500 miles, about 800 kilometers, so it must be based near its intended targets. Plans for its deployment and the mission in Albania are reported in the coming issue of Aviation Week and Space Technology, an aerospace-industry magazine.

The Gnat was developed to help monitor regional conflicts. The system to be deployed in Albania — two Gnats and a satellite dish costing less than \$10 million — is far cheaper and less sophisticated than photoreconnaissance satellites, which each cost more than \$1 billion.

The equipment, which will be used to relay photographic images of battles and troop movements in Serbia and Bosnia-Herzegovina, will be sent to a military base on Albania's Adriatic coast this winter, a defense official said.

The plane is about 16 feet long (nearly five meters long), with a wingspan of about 35 feet. It can linger above a battlefield for up to 24 hours. It carries on its back a dome with infrared and electro-optical sensors to create digital images of war. The images are beamed back to a satellite dish, which can relay them to Washington.

Ex-General Named Algerian Leader

The Associated Press

ALGIERS — Tightening military control over the country, Algeria's defense minister was named president on Sunday by an army-backed committee.

The High Security Council named Lamine Zeroual, a three-year transition man as president, succeeding a five-man military-backed committee that canceled elections when it took power two years ago.

The new leader, 53, is a retired general. Neither he nor the High State Committee he replaces on Monday has widespread public support.

General Zeroual's three-year term is considered necessary to overcome the Muslim insurgency which has taken some 3,000 lives in the last two years, and to begin solving the economic crisis.

The High State Committee ordered the High State Council to designate a president after the collapse this week of a national conference of the army.

The conference, at which the government had hoped to reach a working agreement with the factions political parties, fell apart when the main political groups walked out or did not show up.

Former Foreign Minister Abdelaziz Bouteflika had been expected to assume the post, but he refused the job when parties dropped out of the conference, saying he did not want to be the leader of several parties in discord.

General Zeroual replaces Ali Kafi, president of the High State Committee, which has battled the Muslim insurgency for two years. Mr. Kafi's mandate ends Monday.

The High State Committee took power in January 1992 after the cancellation of two-stage legislative elections that were being won by Islamic fundamentalists.

Winners Lose Belgian Lotto

The Associated Press

BRUSSELS — Eight people might well have considered themselves millionaires on Saturday, but their luck quickly turned after Lotto organizers annulled the weekly draw.

Two of the 42 balls failed to drop into the machine that picks six balls to provide the lucky combination. Television footage clearly showed that balls 41 and 42 stuck in the cylinder, but Lotto officials failed to notice the irregularity. Late viewers called in to force cancellation of the draw.

A second draw was held later Saturday, and the Lotto organization apologized for the inconvenience. Five winners were announced after the second draw, each winning 9.6 million francs (\$267,000).

Iranians End War Games

The Associated Press

NICOSIA, Cyprus (AP) — Iran's air, ground and naval maneuvers have ended six days of maneuvers in the Persian Gulf, the latest in a series of war games that included missile deployment.

Rights Abuses in Mexico Raise Questions for U.S. and NAFTA

By John M. Goshko
Washington Post Service

WASHINGTON — The peasant uprising in southern Mexico on New Year's Eve has raised questions about whether President Clinton's doggedly successful fight for approval of the North American Free Trade Agreement caused him to ignore his commitment to human rights.

Allegations that the Mexican Army committed widespread rights violations in suppressing the revolt in the southeastern state of Chiapas have put the administration under pressure to demonstrate that Mr. Clinton was serious when he promised that countries seeking greater trade with the United States must have a good human rights record.

Representative Robert G. Torricelli, Democrat of New Jersey, the chairman of the Foreign Affairs subcommittee on Western Hemisphere Affairs, has scheduled a hearing Wednesday to look into allegations of rights abuses and "examine the potential for reprisals in other parts of the country."

There is no sign that the Chiapas unrest poses any serious threat to NAFTA. But it could lead some administration critics to call for a new look at whether Mexico's economic stability and commitment to democratic reform are strong enough to justify that the United States continue to move toward the economic integration of the two countries.

U.S. officials reply that what is important now is for the Mexican government to learn the lessons of Chiapas and take steps to ensure that it does not happen elsewhere within Mexico's many pockets of poverty.

The Chiapas insurrection involved the Zapatista National Liberation Army, a group consisting almost entirely of Mayan Indians, which seized several towns and villages and declared its intention to overthrow the government of President Carlos Salinas de Gortari.

Mr. Salinas's efforts to create a free market economy in Mexico triggered great hostility in Chiapas, where the large Indian community and thousands of refugees from neighboring Guatemala long have been exploited by large landholders and ignored by the government.

The government's pro-NAFTA policies added to their anger by cutting off subsidies to traditional Mayan farming communities, depressing prices for local cash crops like coffee, corn and sugar and making it easier for well-connected landlords to evict Indian squatters from unused land.

"There's no doubt that events in Chiapas derive from poverty and

Amid the Haggling, Hong Kong Airport Is 'Rising From Sea'

Reuters

HONG KONG — While China and Britain battle over Hong Kong's giant new airport, local officials are keen to get one message across — that it is being built, that it is largely on schedule and that it is definitely on budget.

Despite Beijing's rejection of financing plans for the \$20.3 billion project, the fact remains that a huge public works operation is well under way in Hong Kong.

"Everybody can see that the airport is rising from the sea," said Chief Secretary Anson Chan.

An artificial island for the airport is almost 40 percent built; work starts soon on the terminal building; and the twin towers of one of the world's biggest suspension bridges, which will provide a road and rail link with central Hong Kong, have climbed to 200 meters (nearly 600 feet).

The Chek Lap Kok project is colossal. It is one-third bigger than the British-French Channel Tunnel, which makes the airport the largest single public works operation under way in the world. It comprises 10 infrastructure projects, with the airport itself costing 70 billion Hong Kong dollars (\$9 billion), less than half the total cost.

The project has also become a political football between Hong Kong and China. Beijing has rejected all financing plans, saying they would leave a huge debt to be repaid after the British colony returns to China in 1997.

Things went from bad to worse when Governor Chris Patten's plans for democratic change provoked a major dispute in 1992. Now Mr. Patten is no longer sure of meeting the target date for the first flight into Chek Lap Kok of June 30, 1997, the day Britain leaves.

"We want to do as much as we possibly can by the end of June '97 in an orderly and sensible way," Mr. Patten said recently. "Exactly how much we can do will depend on when we get agreement with the Chinese side."

Without an agreement, there is no Chinese guarantee to repay airport debt after 1997. As a result, Hong Kong is moving ahead on the project step by step, financing each contract itself.

Officials are still hopeful the first aircraft can land before the end of 1997. But it is now too late to have a rail link operating fully by the time the airport opens.

Since the government picked a remote site among Hong Kong's rugged outlying islands, the airport needs a 34-kilometer (21-mile) rail

and road link to central Hong Kong.

The link, which straddles three islands plus Hong Kong harbor, includes two major bridges, road and rail tunnels and several large land reclamations. Of these, only the cross-harbor road tunnel has been privately financed.

Apart from the railroad, most of the project is on or ahead of schedule. And the government's point of pride is that it is running under the budget produced in 1992. The European Channel Tunnel's cost by comparison has spiraled 66 percent.

Earlier this month, the government cut the forecast cost by 5.5 billion Hong Kong dollars, saying that contracts had been awarded at lower than expected tenders. A fixed price system means that contractors rather than the government carry the risk for inflation and cost overruns.

But not everything is rosy. The government estimates that every six months' delay due to the dispute with China will add 4 billion Hong Kong dollars to the cost.

Nowhere is the scale of the undertaking clearer than at the Chek Lap Kok site itself.

The site resembles a moonscape, teeming with huge dumper trucks. "It's totally destroyed, it's an open mine," the site reclamation director, Frans Uiterwijk, told reporters on a recent visit.

In fact, a hillock from the old Chek Lap Kok and a stretch of coastline have been left as a gesture to environmentalists.

Elsewhere, the island is a desert. Contractors are blasting away Chek Lap Kok's hills and dumping the rock into the sea to create an island 5 kilometers by 3.5 kilometers.

More than a thousand workers live on the island or aboard dredgers. One group of 300 Filipinos quit their troubled copper mine in the Philippines and moved en masse to work at Chek Lap Kok.

The airport terminal site is finished — the basement is being excavated. Contractors are now concentrating on finishing the site of the first runway. A second runway is to be built soon after the airport opens.

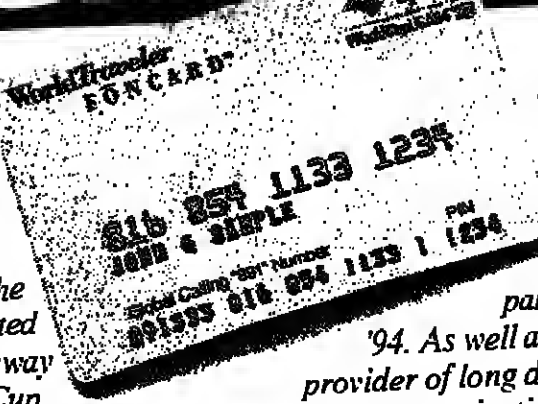
Mr. Uiterwijk admits to some problems. One member of the six-member joint venture contractor has fallen behind on building a sea wall. But the terms of the 9 billion Hong Kong dollar contract encourage "peer group pressure" as all partners are technically liable to pay penalties if one falls behind.

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BOOKS

FDR & STALIN: A Not So Grand Alliance, 1943-1945

By Amos Perlmutter. 331 pages. \$29.95. University of Missouri Press.

Reviewed by Kenneth Adelman

THE debate seems destined to go on forever: Was Franklin Roosevelt in the face of Stalin's determination? Was the American president to blame for "losing" Eastern Europe? Had Roosevelt been a tougher strategist, would we have been spared 45 years of Cold War? On the affirmative side, we now have Amos Perlmutter's addition to the argument, "FDR & Stalin." On the other are the historians who have, to Perlmutter's view, created a "myth of FDR's farsighted diplomacy." "FDR & Stalin" is so overstated and strident in tone that it is easy to refute. Yet the book still is a lively way to see the side of the debate that maintains, to refine no words, that Roosevelt was a minicompetence in foreign affairs.

Devotees of Franklin Delano Roosevelt, like myself, can easily count Perlmutter's accusation that the wartime president "continuously appeased Stalin, from June 22, 1941, when Hitler invaded the Soviet Union, until his death on April 12, 1945." One week before his death, FDR angrily wrote Stalin: "Frankly, I cannot avoid a feeling of bitter resentment" about false accusations of misrepresentation of my actions or those of my trusted subordinates. "Hardly one day before he died, FDR wrote Churchill on how to handle Stalin henceforth: 'We must be firm.'"

By being so harsh, Perlmutter, author of several books on global politics and security and a political science professor at American University, exposes himself to criticism. For example, he writes, "This not-so-grand [U.S.-U.K.-U.S.S.R.] wartime alliance cost Eastern and Central Europe their independence and committed America to nearly a century of Cold War." Not half a century of Cold War. Not half the wartime alliance but the presence of the Red Army and the nature of both Stalin's regime and of subsequent Soviet regimes committed us to the Cold War.

Rather than displaying what Perlmutter characterizes as a "total absence of statecraft," FDR wished to

defeat geopolitical statecraft until the war was won. Call this naïve, but that's what had happened in World War I. And that's what was agreed upon — not only by Perlmutter's naïve but also by his hero, Winston Churchill. Months before the United States entered the war, the two agreed to avoid secret diplomacy and to defer territorial matters and "political bargains" until the peace conference.

This was not to be. As Perlmutter himself shows in a nice piece of exposition, fighting the war meant cutting "political bargains" like mad. Having described the deals well, he still persists in his misconceptions. Here, FDR was nowhere as inadequate as Churchill as Perlmutter portrays.

It was Churchill's cabinet, as Perlmutter writes to tell, whose May 1942 "friendship treaty" with the Soviet Union acquiesced to all that Stalin gained from his Nazi-Soviet Pact. On that, FDR defended. And Churchill himself offered Stalin, in October 1944, the "percentage formula" to divide up parts of Europe. FDR objected to such realpolitik.

Not that FDR recoiled from practical politics. He had shown genius in political bargaining for the New Deal and pushing America from neutrality into all-out alliance with Britain, before the United States was even in the war.

True, FDR proved too flexible, though not indifferent, concerning

Eastern Europe's fate. Perlmutter doesn't adequately take into account what FDR had to deal with at the time. The reality of war forced the president to focus on more parochial interests. Keeping ties with Stalin was critical to existing the Soviet Union into the Pacific War, a need far greater to American armed forces than to Britain's.

Perlmutter's argument that has much merit. Despite his glaring excesses, his thesis retains that merit, and his well-crafted book has bite.

It is true that FDR never did share Churchill's horror at Stalin's past barbarism or fear of Stalin's future conquests. He was inhumanely moved by Soviet atrocities (he was severely moved even by those of his enemy, the Nazis). He tried

to quash an aide's finding that Stalin's secret police were responsible for the 1940 Katyn forest massacre of perhaps as many as 15,000 Polish officers. FDR sought to embrace "Uncle Joe" to finish the war in Europe and then Asia, and to begin a vibrant United Nations. Not a bad ambition, but not all that practical either.

And Perlmutter is quite right that Stalin had clear strategic goals, while he reluctantly pursued them. While Churchill shuddered at them, FDR mostly shrugged them off. Those goals were achieved, thanks much more to the Red Army's power than FDR's fecklessness.

Kenneth Adelman, former director of the U.S. Arms Control and Disarmament Agency, wrote this for The Washington Post.

BRIDGE

By Alan Truscott

WHETHER bridge tournaments should always be democratic or whether aristocracy should have a place, is a subject for debate. In North America democracy rules: every bridge event, with the doubtful exception of an occasional Calcutta, is open to all if they meet certain objective criteria. They may be expected to meet a master-point test, to be women, or to be 55 years old. But they are not required to be the best players.

This is not true in other parts of the world. Britain and the Netherlands both have events to which the world's best players are invited by a committee. There is a similar event in Brazil, where in December, twenty-four players of the highest quality met. The winners were Gabriel Chagas and Marcelo Branco, the reigning world pair champions.

On the diagrammed deal Chagas was East, defending four spades after South had opened with a weak no-trump. This was due to make against any normal defense.

Playing fourth-best leads, West led the club deuce. East won with the jack, and worked out declarer's hand. He had promised 13 to 15 points, which surely included the spade ace, the heart king and the diamond ace. And if he held in addition the heart queen, his contract was safe: the heart suit would provide a discard for a diamond in dummy.

So Chagas assumed South's actual hand, and made an astonishing play: He cashed the club ace and shifted to the diamond nine. South grabbed the diamond ace, fearing to lose a finesse and suffer a club ruff. He then drew trumps and con-

fidently finessed the club ten, but was totally discomfited when Chagas produced the queen and cashed the diamond king for down one.

NORTH			
♠ K 8 4			
♥ A 3			
♦ Q 4			
♣ K 10 7 5			
EAST			
♠ 9 7			
♥ 10 8 6 2			
♦ K 8 5 2			
♣ A Q J			
SOUTH (D)			
♠ A J 10 3			
♥ K 8 7 4			
♦ A 2			
♣ 6 5 3			

Both sides were vulnerable. The bidding: South 1NT, West 2♣, South 2♦, West 3NT, South 4♣. West led the club two.

Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

The Yen Is What Matters

In principle, the Japanese are correct in their current trade dispute with the United States. Negotiated targets for exports are a bad idea. The Americans bitterly reply that nothing else seems to work. The Japanese trade surplus has become intolerably large, and Japan has a clear responsibility to pull it down. Statements of good intentions have proved useless. The Clinton administration argues that only explicit targets — so many millions of dollars' worth of certain specified products — seem to have any effect.

But a lot of things are wrong with targets. They amount to a system of managed trade in which sales volumes are set by political decisions. While Americans complain (justly) about the influence of cartels in the Japanese market, import targets only strengthen them. The targets require the Japanese government to sit down with industry groups to work out the market-sharing arrangements that they require.

Worse, while target agreements can raise the sales of products they cover, they will not affect Japan's total trade surplus. That is set by the way Japan runs its whole economy, and the amount of money it sends abroad to be invested in the rest of the world. Similarly, America's total trade deficit is determined by the amount

of foreign money that it draws in from abroad to be invested in America. That is why the trade deficit soared in the 1980s, a time of declining private saving and big public deficits. The Clinton administration's success in reducing the federal budget deficit is a far greater contribution to balancing American trade than any possible negotiated export targets.

The United States is currently maintaining its standard of living by borrowing roughly \$100 billion a year from the rest of the world. That is down from the mid-1980s, but a rich country like America ought not to be borrowing at all. If and when it stops borrowing abroad, its trade deficit will vanish. How? Among other things, the Japanese yen's exchange rate will rise.

If and when that happens, Japan will not be entitled to much sympathy. No country in history has ever benefited as much from open markets elsewhere, yet its own door has never been more than a third of the way open. The exchange rate is the right remedy — which will be worth keeping in mind during the next couple of weeks as the exchanges of threats and denunciations between the American and Japanese trade negotiators get louder and angrier.

—THE WASHINGTON POST

Now Wait and Be Ready

Economic reform in Russia is on the ropes, and the Clinton administration is groping for a response. Treasury Secretary Lloyd Bentsen and Ambassador at Large Strobe Talbott say the West must build up aid until Russia puts market reforms in place. A spokesman for the secretary of state denies that this is U.S. policy. Which is it?

The United States cannot undo Russia's recent elections, which produced a parliament split down the middle over reform and drove President Boris Yeltsin to appoint an anti-reform government. But Washington can prepare for the possibility that Russia may again reverse course and resume the difficult path toward markets. To do that, Bill Clinton needs to learn from his mistakes.

The elections showed that reform cannot proceed without popular support, and Western aid could prove critical to that support by helping to cushion the worst effects of reform. The West never delivered most of the aid it promised — deciding it was more important to make sure that the money wasn't wasted than to back reformers who wanted to take Russia down the road toward democracy and markets. So it held up the money, waiting until reformers were locked into place — and virtually assuring that they would never be tried.

This sad story suggests that for Western aid to sway the political debate in Russia, it must be delivered up front, allowing reformers to

set up relief funds for dislocated workers, an inevitable fallout from true reform.

No country in this century has undertaken radical market reforms without sizable foreign aid; Russia is not likely to be the first. If the West gets another opportunity to promote reform, it must be ready to deliver substantial aid without delay once a credible government promises a feasible reform strategy.

Last week's Senate hearing did little to clarify U.S. policy. Mr. Talbott, the president's Russia expert, told senators: "Our support will follow their reform; it cannot be the other way around." If the administration sticks to that line, it will undermine Russian reformers when the current government's financial mismanagement gives them a chance to return to power.

The Senate's decision to administer aid being blind to the suffering of Russian workers. The truth is that few leaders at either end of Pennsylvania Avenue were prepared to face American taxpayers — millions of whom were unemployed and had exhausted government benefits — and say that a few billion dollars was needed to set up a relief fund for Russian workers.

Russia's new course is not the first wrong turn in its tortuous path to transformation, and it will be the last. The hope is that Russia's leaders will reverse course before hyperinflation destroys what is left of the economy, and that America's leaders will be ready to help.

—THE NEW YORK TIMES

Encourage the Bosnians?

The unexpected military revival of Bosnia's Muslim-led government has now produced a sharp argument between France, speaking for most of Europe, and the United States. With negotiations floundering as Muslim forces press the war, the French urge Washington to get aboard the European diplomatic campaign to sell partition to Bosnia's warring factions. The Americans hold off, meaning to respect the decision of Muslims to use their new military edge to reclaim at least some of their lost lands. The French see a "moral" aspect in trying to bring the war to an early end. The Americans see "moral" purpose in allowing the "victim" party to fight on.

There are inconsistencies and loose ends in the American stand. No mechanism exists, for instance, to ensure that negotiations replace war at a point when the Muslims, assuming their success, feel territorially more content. Nor is there any guarantee that the Muslims' recent battlefield successes will not simply provoke Serbs and Croats to throw still larger forces into the fray. There can be no doubt that by the measure of lives lost and saved, the best course is to stop the war as quickly as possible.

By the measure of the wishes of the most

injured party, however, another course asks for priority. The Muslims are that party. They are not innocents; they are themselves responsible for grave offenses. But, by a reasonable standard of fairness and justice, they are owed deference for their suffering and their victimization. While they were being promiscuously slaughtered and uprooted, few came to their aid. An international arms embargo fell impartially on them and on their well-armed persecutors. Now, when they have finally provided better for their own defense, those who earlier left them in travail cannot easily tell them they should not fight for their own villages and homes.

There is no evident official inclination or public support in the United States for ground deployments of American forces to aid the Muslim side or, for that matter, for any form of action by Washington alone. So many conditions have been attached to the idea of supportive air strikes as to render this possibility quite unlikely, too. But to offer political understanding for military risks that Muslims decide to take on their own in order to reverse the effects of "ethnic cleansing" — that is another matter.

—THE WASHINGTON POST

Other Comment

A Shadowy Life for NATO

Sometimes it is more difficult to bury an organization that has served its purpose than it is to let it live a shadowy life. Take the North Atlantic Treaty Organization.

In the long term, the process of West European Union is irreversible. But a key question that remains unanswered is how long this process will take. The speed with which West European economies move out of recession is one factor. But the vision of a federal Western Europe is not shared by all members. To an extent, the debate will be submerged by the momentum toward evolving common positions, once the economic gloom and its damaging concomitant, unemployment, have lifted.

No one can doubt that Russia, today a supplicant in the corridors of Western power, will reassert her great power ambitions sooner or later. President Yeltsin needs Washington's

support and benevolence to surmount his present travails, and the question boils down to how long and how many convolutions it will take for [Russia] to settle down. The signals that Washington, and the West, have sent so far are that they prefer stability to an acceptable democratic framework in Russia, and that Moscow has a legitimate interest in securing its strategic interests in the former Soviet Union, particularly in the south.

President Clinton's good fortune is that Western Europe's recession and dependence syndrome, combined with the depth of the Russian crisis, give him time to make some mistakes. For the present and the immediate future, the United States remains the leader in determining the shape of Europe and the role which NATO, now bereft of its original goal, should be made to play in it.

—S. Nihal Singh, commenting in the *Khaleej Times* (Dubai).

Listening to Clinton: What About the Real World?

By Anthony Lewis

BOSTON — President Bill Clinton was impressive when he talked about domestic issues in his State of the Union address because he connected. When he told of Americans who were sick or needed family leave, he related to their pain. More than that, he seemed to be coming from his own life, his own hopes and hurts.

How different it was when he turned to foreign affairs. One felt that his heart was not in it, that he was going through a mechanical

The world is a frightening place. The only way for the United States to deal with it is to stick to principles.

recitation of claimed achievements. It was as if he dealt with those things because he had to as president, not because they engaged his deepest moral or political concerns.

The points he made showed his lack of focus on foreign policy. To call his comments shallow would be a compliment.

In their blithe optimism they seemed

strangely — scarily — disconnected from reality. He said the advance of democracy elsewhere was the best way to insure U.S. security, and that was why America had supported the democratic reformers in Russia; he applauded Congress for backing his initiatives to help Russia. But the reformers are out of power in Moscow.

When President Clinton was there just two weeks ago, President Boris Yeltsin said that he would be "resolute and radical" in an economic reform. Since then he has been weak and reactionary, giving up reform to please the Communists and extreme nationalists in the State Duma.

The prospects for Russia look grim. Its new government has promised to pour money into the hopeless old state industries — money that can come only from the printing press. That means that the economy will be at risk of hyperinflation, the condition when a currency becomes worthless.

In his State of the Union speech Mr. Clinton also said that Europe now had the "possibility of becoming unified for the first time in its entire history, based on the simple commitments of all nations in Europe to

the answer. Russia has its demagogue today in Vladimir Zhirinovskiy, the fascist who did so well in December's elections.

Mr. Clinton and his foreign policy team have made Russia their dominant interest. And they have made support for Mr. Yeltsin the basic, almost unquestioning premise of their policy. Thus the administration did not object when Mr. Yeltsin asserted a special Russian right of influence in the "near abroad," the other former Soviet republics.

It rejected urgent appeals from Poland and other East European countries for membership in NATO because that might be politically difficult for Mr. Yeltsin, offering them instead the essentially meaningless "Partnership for Peace."

The Russo-centric — or Yeltsin-centric — policy looks like a disaster today. Russia is a potential source of great danger: a huge country, with thousands of nuclear weapons, heading for economic chaos and for who knows what social disorder. Yet Mr. Clinton talks as if all were well.

Clinton also said that Europe now had the "possibility of becoming unified for the first time in its entire history, based on the simple commitments of all nations in Europe to

democracy, to free markets and to respect for existing borders."

Respect for existing borders? When Serbian forces misled by nationalist demagogues have destroyed Bosnia, a member state of the United Nations?

What world is Mr. Clinton in? Does he know that European unity is fraying, that the United States have no credibility as guarantors of security after the West's failure to stop Serbian aggression?

That leads to another point. Mr. Clinton spoke compellingly about a six-year-old girl whose father spoke to him in the White House. But he said nothing in the State of the Union, and he has said nothing elsewhere, about the six little children who were killed while at play in Sarajevo recently by deliberate Serbian shelling of civilian areas.

The world is a frightening place. The only way for the United States to deal with it is to stick to principles: to practice to gain control of the communication where Americans have long committed themselves to maintain peace and order, Europe, and to approach a turbulent Russia not with weakness but with a clarity and firmness that Russians will respect. Above all, America has to open its eyes to reality.

The New York Times

Asians, Suddenly in the Spotlight, Will Now Have to Do Better

By Anwar Ibrahim

The writer is deputy prime minister and finance minister of Malaysia.

KUALA LUMPUR — For the first time in modern history, Europe and North America are looking at Asia with a sense of wonder. Although there are encouraging signs of recovery in the United States, it is to Asia that everyone is turning to re-launch the world economy after its longest postwar slump.

An Asian renaissance is very much in progress. Economic growth is the most visible aspect, but the revival also has cultural and intellectual dimensions. While an Asian resurgence should be welcomed, it is important to ensure that it remains benign in all its effects.

Contemporary Asians owe a profound debt to early Asian nationalist movements. In the last two or three decades has been uneven. Thus, it is not just a question of sustaining momentum in nations that have achieved high growth, especially in East Asia. Growth must also be spread to other areas.

The most significant conclusion of the recent World Bank study of Hong Kong, South Korea, Singapore, Taiwan, China, Indonesia, Malaysia and Thailand — the eight high-performing economies in East Asia — is that there is nothing miraculous about East Asian economic miracles. If other parts of Asia can achieve political stability, invest more in education than in defense, release initiative and entrepreneurship rather than stifle them, and undertake pro-growth and market-friendly policies, those economic miracles in time will also be theirs.

The economic challenges facing the high-performing eight are by no means small. One concern must be whether the current economic difficulties in Japan and the slowing of growth in South Korea preclude a inevitable future course for the others.

My own view is that Japan, South Korea and other East Asian nations are far from reaching their full bloom and will not undergo the long-term relative decline ascribed to the mature industrial economies of the West. Only inept policies and excessive greed can prevent Asia from realizing its fullest potential.

Nonetheless, the pain that Japan is enduring should be a potent reminder to other countries in the region to exercise restraint or even impose discipline on sectors that are highly susceptible to excessive speculation, sectors where greed can create a fragile bubble economy. Such bubbles eventually burst, throwing the entire economy off balance, erasing all the

achievements of macroeconomic stabilization and derailed growth.

Impressive though East Asia's economic performance may be, much of the wealth it generates by exporting manufactures is built on the intellectual property of the West. We have a very, very long way to go before we become producers of industrial goods in our own right.

An industrial nation must have much more than factories. At the heart of an industrialized society is brainpower — the pool of scientists, technologists, designers, inventors who translate human creativity and scientific ideas into tangible goods. The factories and machines are in fact only the last stages of the total development work that needs to be done. Real industrialization requires a scientific culture that has become indigenous by permeating the fabric of society and becoming inseparable from it.

Asian countries, with a few notable exceptions, have yet to attain the lev-

el of development where the manufacturing sector is driven by an indigenous scientific and technological culture. We are still largely dependent on the intellectual resources of the West. To remedy this situation, we need massive investments in education, scientific research and human resource development. We can do this as individual countries or, more effectively, by strategic collaboration among ourselves.

No civilization deserving the name can be based entirely on industrial dexterity to produce material goods for consumption. Asia's intellectual community must nurture and promote the region's unique heritage, especially those elements in its culture and traditions which will help enrich universal society. The most fundamental of these elements relate to the harmony of society — to such things as good governance, the sanctity of the family, tolerance toward diversity, and compassion for the weak and the unfortunate.

There is another challenge for Asia. In recent years there has been an overwhelming, almost imperious-

tic diffusion of Western or Western-influenced cultural products. This has been made possible, and will be further accelerated, by the opening of the skies to satellite television networks. It would not be too difficult for Asian countries to gain control of the communication technologies to mount a counteroffensive.

But this would be meaningful only if we could offer cultural products that successfully competed for the free choice of a universal audience. This is a challenge to Asian creativity and imagination.

Asia's increasing prosperity means that it is now in a position to offer serious alternatives to the dominant global political and economic arrangements. However, we must first engage ourselves vigorously in the debate on the burning issues of our times, such as democracy, human rights, economic policy and cultural identity. In the same way as we define our economic and political priorities, we must articulate and construct our own intellectual and cultural agendas.

International Herald Tribune

America Is Better Off Without a 'National Identity'

By Richard Sennett

NEW YORK — The Clinton administration has unveiled its plan to bring Americans together. Sheldon Hackney, chairman of the National Endowment for the Humanities, announced this month that the government would hold a series of televised "town meetings" aimed at overcoming ethnic rivalries. They will explore the bonds of community, the meaning of American identity and "how immigrant groups fit into the American dream."

It is easy to sympathize with what Mr. Hackney, Bill Clinton and other sponsors of the forums want to achieve. They aim to challenge the inward-looking racial, ethnic and sexual zealotry that denies America a common civic culture. Yet this is a deeply wretched project.

First, it looks back on America that never existed. From the beginning, American society has been fragmented by differences of wealth, religion and language, as well as by the conflicts between slave and non-slave states. The waves of immigration after the Civil War did not break apart

a unified nation; they added new diversities to old divisions. In some ways, we Americans are more divided today than during that first great immigrant wave. For example, because our society has become more open sexually, marriage and family no longer trace a clear design in people's lives.

Mr. Hackney is the latest in a long line of Americans who have sought to counter society's fissures by discovering a national identity or an American character. These phrases, however, merely display the gentlemanly face of nationalism.

Nationalism creates a mythic land in which people understand themselves and each other. The myth disguises inequalities and legitimizes attacks on people whose lives are different. Immigrants who came to America three or four generations ago thus encountered great prejudices based on the supposed fact that they weren't yet "real Americans."

Does Mr. Hackney feel bad about

this? Of course he does. Yet he asserts that it is "much better to start talking about American identity before getting into immigration issues." This supposes an America that is obscured by the presence of outsiders, an America waiting for its once we stop obsessing about our differences.

Of course, the very notion of an American identity is a sweeping stereotype, and the manipulation of such generalizations lies at the very heart of nationalism.

The first wave of immigrants resisted falling under the sway of American stereotypes, as Daniel Patrick Moynihan and Nathan Glazer showed in their classic study "Beyond the Melting Pot." Immigrants and their heirs sought to preserve a more complex and mixed experience of cultural identity.

Also, stereotyped thinking will invariably pay more attention to divisive rabble-rousers than to sophisticated thinkers about ethnic problems. In such a scenario, an Al Sharpton would easily overwhelm a Cornel West.

When people deal in stereotypes, they seek to define "us" in contrast to a threatening "other." Members of racial minorities (or homosexuals, immigrants, the elderly) face the problem of being defined in terms of what they are not — a real temptation for a threatened group — as the more subtle challenge of how to avoid being defined by someone else.

Not only is Mr. Hackney's blueprint for culture flawed in principle, it is perverse in practice.

In the televised town meetings, people will be given air time to explain themselves to each other. Mr. Hackney says he wants "to give people a sense they have been heard." This is one of the oldest American techniques for dealing with communal tension. It began with the Puritans and was adopted and updated by psychological theory a generation ago in encounter groups and consciousness-raising sessions.

In this kind of meeting, people do not decide things. Instead, they attempt to rouse sentiments of sharing and community through self-revela-

tions and expressions of sympathy: "I feel your pain." These sorts of events tend to oversimplify our divisions and exclude the confusions inherent in real experience.

In intimate life, adults connect to one another in part by accepting that they cannot often understand one another. Public discourse about "what we share" ignores that fact. And Mr. Hackney's "national conversation" will exclude from the televised picture those who do not easily open themselves up and commune.

Given the complexities of American society today, it is immensely important that people find ways to act together with those they do not understand or whom they dislike when they do understand.

The Clinton administration's finest achievements, like the North American Free Trade Agreement, have acknowledged that America is not an island. Mr. Clinton has rightly sought to address, as in his proposed health care plan, collective problems that affect different Americans in radically different ways.

Perhaps Mr. Hackney's project is a symptom of how burdensome these responsibilities and realities feel. Talking about how we see each other and how we can come together is much more pleasant than reshaping the real America. But because this sort of pleasure has brought such terrible nationalistic and xenophobic consequences in the past (and now as well), especially in the former Yugoslavia, I don't think this "national conversation" should be shrugged off as just another million-dollar folly.

The challenge and the promise of American society lie in finding ways of acting together without invoking the will of a shared national identity. To do so we need to draw on our capacity to cooperate rather than on our desire to commune.

Mr. Hackney, by contrast, seems to offer a Serbian solution to the challenge of living with one another.

The writer, professor of the humanities at New York University, is author of the forthcoming "Flesh and Stone: A History of the Body in Western Culture." He contributed this comment to *The New York Times*.

The U.S.-Saudi Line Is Off the Hook

By Jim Hoagland

WASHINGTON — Three years after the United States went to war to protect Saudi Arabia's underground oceans of oil, there is no U.S. ambassador in Riyadh and no prospect that one will soon be there. The case of the missing envoy is a small signal of a dangerous drift in one of America's most important foreign relationships.

George Bush's top priority in unending Operation Desert Storm was to protect the Saudi royal family, Mr. Bush's energy policy, if not

wants on oil pricing and production or how the rising trend of U.S. oil imports fits, or does not fit, into Mr. Clinton's energy policy.

The once close political consultation that revolved around Riyadh's high-profile ambassador in Washington, Prince Bandar bin Sultan, is a pale shadow of its old self today.

Prince Bandar had access to the White House in the Reagan and Bush years that no other foreign diplomat has ever had. He committed Saudi Arabia's financial and military backing to U.S. intelligence activities in Central America, Afghanistan and the Middle East.

Today he is little glimpsed on the Washington diplomatic circuit. He spends his time negotiating with American companies and the Pentagon to slow down the deliveries of aid and payments for the U.S. airlines and weapons that Saudi Arabia has contracted to buy. Falling oil revenues have produced a budgetary crisis for Saudi Arabia, a fact that Riyadh feels is not sufficiently appreciated in Washington.

Consider this analysis of one Saudi expert: Saudi Arabia today is taking in about \$20 billion in annual revenue from oil and is committed to spending \$45 billion, including \$6 billion on interest payments. King Fahd will not raise the minor taxes that Saudis pay and is totally dependent on oil revenues. He reportedly checks oil prices three times a day.

A steady slide in prices has done nothing to improve the king's notoriously volatile humor. Due to visit the United States for medical exams early this year, he is increasingly isolated and uncommunicative, according to some accounts.

After long delays, the king has delivered on a promise to appoint a respected council of advisers, known as the Majlis. But he maintains absolute power under a constitution that, as one resident of

Saudi Arabia says, "legitimizes authoritarian rule."

It is a situation in which the United States needs its equivalent of a Bandar in Riyadh (especially since Bandar is no longer Bandar in Washington). Someone who is well-connected politically, knowledgeable about the host country and both activist and subtle enough to fit events in a positive direction (such as enlarging democracy) when a word or a deed is sought from a foreign envoy.

Instead, the United States has been without an ambassador of any kind in Riyadh since August 1992. After initial indications that the post would go to a businessman, Friend of Mr. Clinton, Mr. Clinton accepted the State Department's career candidate, Edward W. Gnehm Jr., who won favorable notice for his performance as ambassador to Kuwait during and after Desert Storm.

But Mr. Gnehm's nomination lies in the face of the Saudi royal family's distaste for envoys who have served in smaller, less important Gulf countries. Moreover, his statements urging democracy on Kuwait were noticed by the king. The Saudis, I am told, are refusing to approve or disapprove Mr. Gnehm's nomination. Instead they let it twist slowly in the desert wind.

This is a sign of deeper underlying complications in the Saudi-U.S. relationship that need urgent, high-level attention.

If Mr. Clinton wants him as his envoy, he will need to invest Mr. Gnehm with his full authority and support, waging a campaign on his behalf throughout his tour. If the president is not prepared to do that, it will mean having to drop the Gnehm nomination, despite the ambassador's evident virtues and the embarrassment that it will cause at the State Department.

Time and events press in Saudi Arabia. It is no time to stand on diplomatic niceties.

The Washington Post

The United States has been without an ambassador in Riyadh since August 1992.

ed at the time, consisted of King Fahd's telephone number. The king seems to have fallen off the White House Rolodex since Bill Clinton took over the switchboard.

Communication has grown sparse just as the kingdom approaches a crucial political moment in its slow but steadily progressing toward a more representative form of government. There is no high-level Mr. or Ms. Saudi Arabia in this American administration to pay attention to or influence the changes that many Saudis believe are coming.

If anything, Saudi Arabia's energy importance to America should have increased since the 1991 war liberated Kuwait and drove the Iraqi Republican Guard back from the Saudi frontier. Last month foreign oil imports grew to 49 percent of America's daily consumption of 17 million barrels of oil. One out of every 10 barrels of oil consumed in America now comes from Saudi Arabia, which sells 7 million barrels of oil abroad every day. The Saudis dominate the world market.

Saudi policymakers have told Arab colleagues that they have no clear idea what the Clinton team

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1894: Drama in Dublin

LONDON — A rather serious accident occurred at the Gaiety Theatre, Dublin, on Monday (Jan. 29) night. Two of the girls who were performing in the ballet at the pantomime were in a dressing-room which was situated at the rear of the theatre when a strong gale blowing brought down an adjacent chimney. This crashed through the roof of the dressing room burying both the young women in a mass of bricks, mortar and slates, and inflicting severe injuries upon them. They were then carried to Mercer's Hospital, where their injuries were attended to.

1919: German Colonies

PARIS — The President of the United States, the Prime Ministers and Ministers of Foreign Affairs of the Allied and Associated Powers, as well as the Japanese representatives, today (Jan. 30) held two meetings at the quai d'Orsay. The exchange of views

continued on the German colonies in the Pacific and in Africa. In the presence of the representatives of the Dominions. In the afternoon satisfactory provisional arrangements were reached for dealing with the German colonies and the occupied territory in Turkey-in-Asia.

1944: Another Armada

AT AN AMERICAN FLYING Fortress Base, somewhere in England — From our New York edition: Another armada of American heavy bombers, covered by an almost impenetrable screen of fighter planes, battered Germany again today (Jan. 30), loosing a heavy tonnage of bombs in Brunswick, an aircraft factory center of the Reich, 450 miles from England, and railroad yards at Hanover, about forty miles northwest of Brunswick. British bombers, following up the American aerial onslaught on Brunswick and Hanover, attacked Berlin again last night for the third time in four nights.

International Herald Tribune

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New International Bond Issues

Compiled by Laurence Desvillettes

Issuer	Amount (millions)	Mat.	Coup. %	Price	Price and week	Terms
Floating Rate Notes						
Banco di Napoli	\$150	1999	0.15	99.20	—	Over 6-month Libor. Noncallable. Fees 0.20% (Denominations \$10,000, Merrill Lynch Int'l)
Bear Stearns Company	\$100	2004	1/4	100	—	Below 6-month Libor. Minimum interest 50%. Noncallable. Fees 0.375% (Denominations \$100,000, Bear Stearns Int'l)
Commonwealth Bank Australia	\$100	1995	0.60	100	—	Over 3-month Libor, if within defined range. Noncallable. Fees not disclosed. Denominations \$10,000, (Goldman Sachs Int'l)
Credit Overseas Bank	\$200	1999	0.15	99.65	—	Over 6-month Libor. Noncallable. Fees 0.20% (CS First Boston)
Credit National	\$250	1997	libor	99.77	—	Interest will be the 3-month Libor. Callable at par from 1996. Fees 0.15% (CS First Boston)
General Electric Capital Corp.	\$100	1997	0.20	100	—	Interest pays 91-day CETS plus 0.20%. Noncallable. Fees 0.25% (Kidder, Peabody Int'l)
Ontario	\$2,000	1999	libor	99.95	—	Interest pays 3-month Libor flat. Noncallable. Fees Int'l
Union Bank of Finland	\$100	1997	1/4	99.94	—	Over 3-month Libor. Noncallable. Fees 0.125% (Denominations \$100,000, Chemical Investment Bank)
HMC Mortgage Notes 11	\$100	2021	1/4	100	—	Over 3-month Libor. Recouped at 99.925. Callable at par from 1997. Fees not disclosed. Denominations \$100,000, (Merrill Lynch Int'l)
National & Provincial Building Society	\$150	1999	0.10	99.98	—	Over 3-month Libor. Callable at par from 1998. Fees 0.15%. Denominations \$100,000, (Goldman Sachs Int'l)
SBAB	¥15,000	1999	libor	99.85	—	Interest pays 3-month yen Libor flat. Noncallable. Fees 0.20% (Daiwa Europe, Fuji Int'l Finance)
SBAB	¥15,000	1999	0.20	99.70	—	Interest is 3-month yen Libor plus 0.20%. Maximum interest is 4.70%. Noncallable. Fees 0.20% (Daiwa Europe, Fuji Int'l Finance)
Fixed-Coupons						
Caisse Nationale de Crédit Agricole	\$100	1997	zero	101	—	Redeemed at par. Redemption amount at maturity will be linked to the performance of the Hong Kong stock index. Fees 10% (IB Int'l)
Elektrobank	\$150	2002	8%	99.99	—	Semiannually. Noncallable. Fees 1%. Denominations \$10,000, (Merrill Lynch Int'l)
Oesterreichische Postsparkasse	\$100	1995	4%	100	—	Interest will be 40% for each day 3-month Italian libor is between 75% and 9% for the first 6 months, and between 60% and 65% for the second 6 months. If libor is outside of these levels, no interest is paid. Noncallable. Fees 0.15% (Creditanstalt Bank)
Standard Credit Card Master Trust	\$750	1999	4.65	99.88	—	Noncallable. Fees 20%. Also \$48 million of notes paying 4.85% and priced at 99.87. (Citibank)
LKB Baden-Wuerttemberg Finance	DM 750	2008	6%	103.20	—	Redeemed at 100.60. Noncallable. Putable with outstanding issue, raising total amount to 2.25 billion marks. Fees 20% (J.P. Morgan)
BOC Group	\$125	2004	6%	100.915	—	Redeemed at 99.29. Noncallable. Fees 2% (CS First Boston)
Rothschild Continuation Finance	\$125	perpet	9	99.89	—	Callable from 2004 at par. Fees 0.75% (Morgan Govett)
Boyerische Landesbank	FF 500	2002	zero	100	—	Issue will be split into a zero bond and a bond paying 20%. Redeemable from 1995. Redemption amount at maturity will be linked to the performance of the CAC 40 stock index. Fees not disclosed. (Caisse des Dépôts et Consignations)
Caisse Centrale de Crédit Immobilier	FF 2,000	2002	6	97.92	—	Noncallable. Fees 0.30% (Caisse des Dépôts et Consignations)
DSL Finanza	FF 1,500	2004	5%	98.47	—	Noncallable. Fees 0.325% (Deutsche Bank)
Aegon	OF 250	1999	5%	100%	—	Redeemed at 99%. Noncallable. Fees 1% (J&M-Aurora)
Austria	OF 1,000	2024	6%	98.80	—	Redeemed at 98.15. Noncallable. Fees 1% (J&M-Aurora Bank)
De Nationale Investeringsbank	DF 500	2000	5%	100.17	—	Redeemed at 99.42. Noncallable. Fees 1% (ING Bank)
LKB Baden-Wuerttemberg Finance	DM 300,000	2004	7.80	101%	—	Noncallable. Fees 2% (Credito Italiano)
Suedwest LB Capital Markets	DM 150,000	2004	8	101.80	—	Noncallable. Fees 2% (Banca di Roma)
Ekspofinans	SK 1,500	2004	6%	99.26	—	Noncallable. Fees 0.875% (Solomon Brothers Int'l)
Nordic Investment Bank	SK 1,500	1999	6%	99.416	—	Noncallable. Fees 0.375% (Merrill Lynch Int'l)
Abbey National Treasury Services	CS 200	2004	6%	101.355	—	Redeemed at 99.705. Noncallable. Fees 2% (Solomon Brothers Int'l)
Helaba Finance	CS 200	2004	6%	100.445	—	Redeemed at 98.77. Noncallable. Fees 2% (Daiwa Europe)
Ontario	CS 1,250	2024	7%	98.42	—	Semiannually. Noncallable. Fees 0.45% (Goldman Sachs Int'l)
News America Holdings	Aus 150	2014	8%	100	—	Semiannually. Noncallable private placement. Fees not disclosed. (Merrill Lynch Int'l)
Treasury Corp. of Victoria	Aus 200	2002	6%	101.18	—	Redeemed at 99.63. Noncallable. Fees 15% (Swiss Bank Corp.)
Equity-Linked						
Industrial Credit & Investment Corp. of India	\$175	2000	open	100	—	Coupon indicated at 2% to 3%. Noncallable. Convertible at an expected 13 to 18% premium. Fees 25%. Terms to be set Feb. 4, (J.P. Morgan Securities)
Itchu Fuel	\$150	1998	1%	100	—	Noncallable. Each \$10,000 note with two warrants exercisable into company's shares at \$5.95 per share and at \$11.20 per share. Fees 25%. (Daiwa Europe)
Kissei Pharmaceutical Co.	\$100	1998	1%	100	—	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at \$5.95 per share and at \$11.20 per share. Fees 25%. (Daiwa Europe)
Paul Y-TC Construction Holding	\$100	2001	5	100	—	Noncallable. Convertible at HK\$290 per share and at HK\$722 per share. Fees 25%. (Pargerson Capital)
PV Investment Finance	\$200	2000	4%	100	—	Semiannually. Callable at par from 1997. Convertible at HK\$294 per share and at HK\$723 per share. Fees 25%. (Morgan Stanley Int'l)
Tonyong Public Company	\$125	2004	open	100	—	Coupon indicated at 2% to 4%. Redeemable in 1999 to yield 1 to 2% over Treasuries. Convertible at an expected 13 to 18% premium. Fees 25%. Terms to be set Feb. 2, (Swiss Bank Corp.)
United Engineers	\$200	2004	open	100	—	Semiannual coupon indicated at 2 to 2 1/2%. Redeemable in 1999 to yield 5.00%. Convertible at an expected 13 to 18% premium. Fees 25%. Terms to be set Jan. 31, (Morgan Stanley Int'l)
Danisco	DK 1,000	2004	5	100	—	Noncallable. Convertible at 12.60 kroner per share, a 20% premium. Fees 25%. (S.G. Warburg Securities)

Aluminum Producers Accept Cuts

Compiled by Our Staff From Dispatches

BRUSSELS — The world's major aluminum producing nations have agreed on a plan to trim a glut of the metal on world markets, the European Commission said Sunday.

The plan is likely to lead to a cut in world production of about 10 percent, or between 1.5 million and 2.0 million metric tons, said Peter Guilford, spokesman for the European Union's trade commissioner, Sir Leon Brittan. Western industry had been seeking cuts of this magnitude.

The agreement was formulated during negotiations earlier this month involving the United States, Russia, Australia, Canada, Norway, and the European Union. The commission said all parties had accepted a memorandum of understanding arising out of the talks.

A surge in aluminum exports from Russia has led to a 40 percent drop in aluminum prices, analysts said. The collapse of the arms industries in the former Soviet republics forced producers to seek markets abroad.

"Under the EU plan, Russia has agreed to restructure its aluminum industry and other countries expressed willingness to help the Russians do so," Mr. Guilford said. The EU, he said, will help pay some of the costs of cutting Russian production.

Russia has agreed to slash its production by 500,000 tons and companies in the other major producing countries will make their own decisions about how much output they will cut, Mr. Guilford said.

Mr. Guilford said companies will want to reduce output as "it's in everyone's interest to cut back" in order to stabilize prices.

Aluminum Co. of America and Alcan Aluminum Ltd. of Canada, two of the world's largest aluminum producers, blame the surge in Russian exports for declining profit in the fourth quarter of 1993.

The European Commission said the United States was reviewing "legal requirements" relating to the memorandum, an apparent reference to Washington's concern about infringing on its anti-trust laws.

Aluminum prices had risen to a six-month high on Friday in anticipation of the agreement.

The aluminum producers will meet again in Canada on Feb. 28 to review the market situation.

(Reuters, Bloomberg, AFP)

Long-Term Treasuries Forge Ahead

Compiled by Our Staff From Dispatches

NEW YORK — Long-term bonds are reaping the benefits of quiescent U.S. inflation, although shorter-term issues are lagging because of concern that the Federal Reserve Board eventually will push up interest rates.

Although the bellwether 30-year Treasury bond finished Friday at a yield of 6.21 percent, down from 6.28 percent a week earlier and the lowest close in five weeks, there was concern about the Fed's intentions. The magazine Business Week, in an issue that reached subscribers Friday, quoted a central-bank source as saying that some members of the Federal Open Market Committee were becoming concerned about the Fed's inaction.

The report said the FOMC, the central bank's policy-making body, might consider pushing up the federal funds rate on overnight interbank loans to 3.25 percent as early as this week. Fed funds have traded at about 3 percent since September 1992.

With these fears of a short-term rate rise, the

three-year Treasury note ended the week unchanged, yielding 4.36 percent.

Some analysts questioned whether the long-term bond rally had gone too far and said data due this week might indicate an economy too strong to sustain such low interest rates. The

U.S. CREDIT MARKETS

market was not swayed by the Friday report from the Commerce Department that gross domestic product grew 5.9 percent in the fourth quarter, the fastest pace in six years.

One reason for the lack of concern about inflation was that the report said the Commerce Department's broadest measure of inflation, the GDP deflator, rose just 1.3 percent in the fourth quarter, down from 1.6 percent in the third and the smallest quarterly increase in more than 25 years.

A strengthening economy often brings inflation. But bond investors are betting that the current growth translates into rising prices.

"While it is entirely likely that the rate of

growth will slow, it is unclear given the recent data that the economy will comply with the hopes of the investor base," cautioned Thomas Sowanick, chief fixed-income strategist at Merrill Lynch & Co.

Mr. Sowanick took a critical view of the "wonderful world of economic growth without inflation, declining federal deficits, next-to-zero private credit growth," that U.S. financial markets seem to currently share.

Two reports likely to affect the credit market this week are the National Association of Purchasing Management's manufacturing survey for January, due Tuesday, and the U.S. nonfarm payrolls for January, to be released on Friday.

"People right now are expecting a reasonably solid economy and slow inflation," said Curt Hollingsworth, who manages \$3 billion in government bond funds at Fidelity Investments, the nation's largest mutual fund company. "We think inflation is going to be around 2 percent. That's why we're still fairly bullish."

(Bloomberg, Knight-Ridder)

The Week Ahead: World Economic Calendar, Jan. 31 - Feb. 5

A schedule of this week's economic and financial events, compiled for the International Herald Tribune by Bloomberg Business News.

Asia-Pacific

Jan. 31 Beijing: Angen Inc., world leader in technology for medical treatment, opens office in Beijing.

Jan. 31 J.P. Morgan & Co.'s chairman, Dennis Weatherstone, opens representative office here.

Feb. 1 Hong Kong: First issue of Eastern Express, Hong Kong's third English-language daily.

Feb. 1 Tokyo: October-December office occupancy and office rent figures.

Feb. 1 Wellington: Third-quarter gross domestic product.

Feb. 2 Hong Kong: Shares in printed circuit board and integrated circuit maker Hing Hing Holdings begin trading on Hong Kong Stock Exchange following its initial public offering of shares.

Feb. 2 Tokyo: Ministerial-level general meeting. Through Feb. 5.

Feb. 2 Wellington: December new housing units estimate.

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Europe

Expected this week: Frankfurt: December M-3 money supply from fourth quarter base. Forecast: Up 7.2 percent.

Munich: December trade balance. Forecast: 184.5 billion pesetas deficit.

Milan: January consumer price index. Forecast: Up 4.2 percent.

Frankfurt: December industrial production. Forecast: Up 2.7 percent.

Frankfurt: December manufacturing output. Forecast: Up 0.5 percent.

Berlin: January unemployment rate. Forecast: 14.2 percent.

Copenhagen: December unemployment rate. Forecast: Up 0.5 percent.

Frankfurt: December manufacturing orders. Forecast: Up 0.2 percent.

Jan. 31 Amsterdam: 1993 retail sales. Forecast: Up 0.2 percent.

London: January M-0 money supply. Forecast: Up 0.7 percent.

Paris: January survey of business. Forecast: Up 0.2 percent.

Paris: December unemployment rate. Forecast: 12.1 percent.

Feb. 1 Amsterdam: 1993 housing construction. Forecast: Up 0.2 percent.

Feb. 2 Brussels: Weekly meeting of the European Commission.

Brussels: January unemployment data. Forecast: 12.1 percent.

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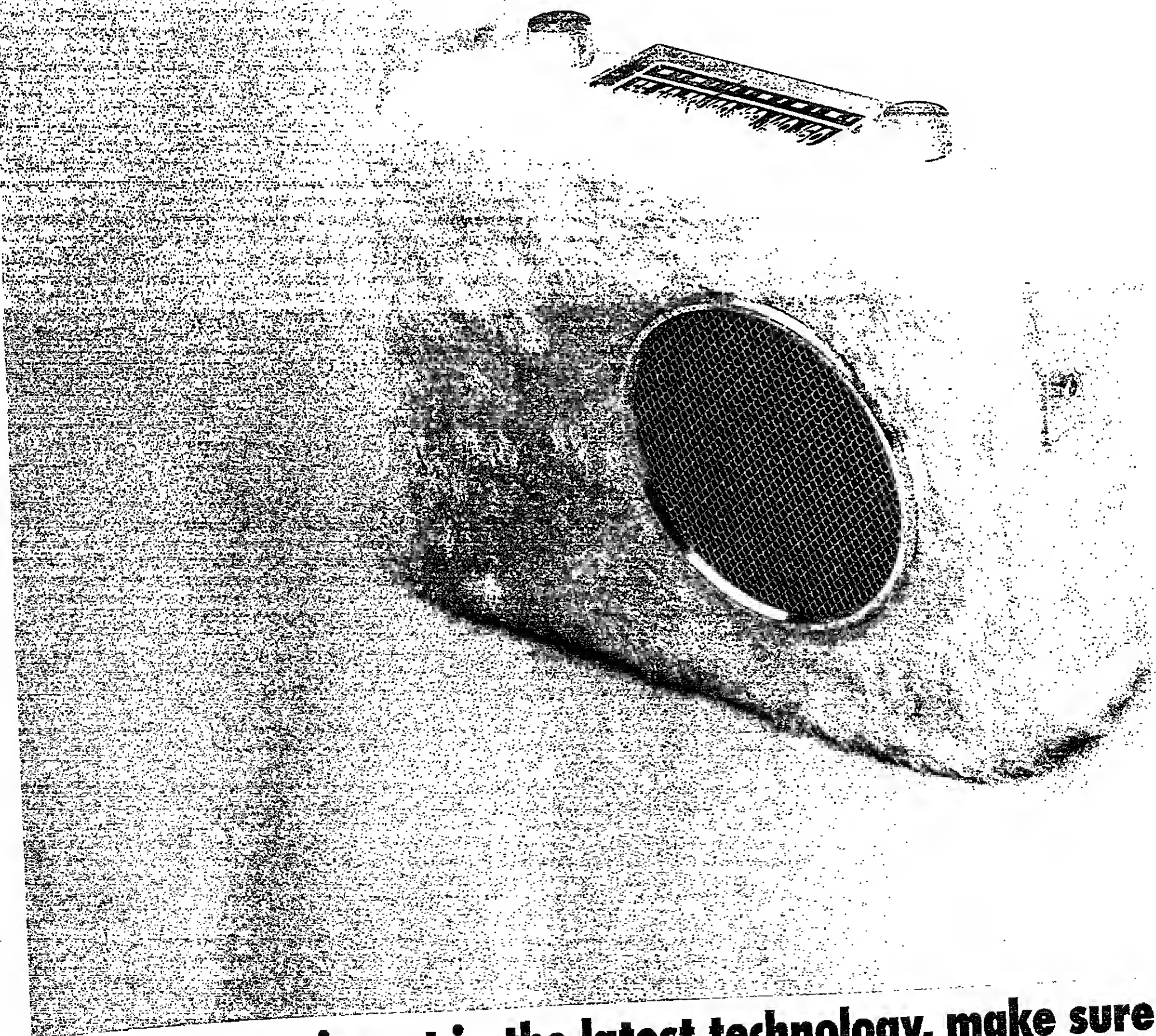
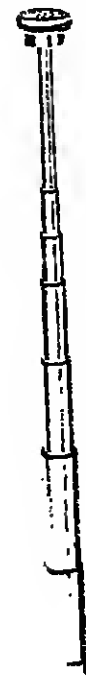
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Before you invest in the latest technology, make sure it has a future.

Remember the furry radio? Back in the Fifties, no self-respecting Doris Day fan would have been without one. The very latest innovations are always the most exciting. But have you noticed that they're sometimes the least enduring? So, when it comes to investing in your business, you want to be certain that the communications technology you choose will be as relevant in 20 years' time as it is today. Which is why we developed the Alcatel 4000 Series, a range of advanced ATM compatible communications systems. Because they evolve with your business, they can be easily upgraded to incorporate new services, as and when you need them. If you'd like further information on business systems with a future, call (33.1) 47.69.48.82 or fax (33.1) 47.69.47.75. Alcatel. Your reliable partner in communications systems.

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Russia Outlook: Hyperinflation, Falling Output and Reform Paralysis

By Alan Friedman
and Jonathan Gage

International Herald Tribune
DAVOS, Switzerland — Russia is headed for a year of hyperinflation, declining industrial production and paralysis of reform efforts, leading Russian politicians and Western economists said here this week.

The economic crisis will probably be made worse by a lack of political will on the part of Prime Minister Viktor S. Chernomyrdin to take necessary but harsh measures, said Boris G. Fyodorov, who resigned as Russia's finance minister last week. Mr. Fyodorov made his remarks during a roundtable on the future of the Russian economy sponsored by the International Herald Tribune and the World Economic Forum.

Sunday night, Mr. Chernomyrdin dismissed critics of his government and, in a message designed to reassure Western diplomats and business executives, said he was certain that those who doubted Russia would succeed with reform "would be put to shame."

But Grigori A. Yavlinsky, the radical reform politician who is among the fresh-faced victors of last December's parliamentary election, said earlier: "We have no government, no plans, no ideas and

a very unstable president." Mr. Yavlinsky's reference to President Boris N. Yeltsin was as far as any Russian would go on the record in describing what others in private depicted as Mr. Yeltsin's depressed and withdrawn mood.

Apprehension and alarm about the slippery slope on which Russians find themselves were evident at the roundtable, which brought together Mr. Fyodorov, Anders Aslund, who resigned recently as an adviser to the Russian government, and Arkadi I. Volynsky, president of the Russian Industrialists' and Entrepreneurs' Association.

The discussion underscored political and generational differences in how to approach economic reform, with Mr. Fyodorov and Mr. Aslund making dire forecasts and Mr. Volynsky resisting the harsh measures that Western economists say are needed if Moscow is to proceed on the road to a market economy.

The one thing all three roundtable participants agreed upon was that, irrespective of Mr. Chernomyrdin's promises, his government was not truly committed to reform and was unlikely to provide much in the way of economic leadership.

Mr. Fyodorov said baldly that he expected "a far more populist, less well-thought-out way of managing the economy." He predicted that

"the odds are 75 percent that things will go the wrong way."

What that implied, said the Russian politician, who has won plaudits from the Clinton administration and the International Monetary Fund for his dedication to reform, was that by the middle of 1994 the monthly inflation rate could leap to 35 percent from an estimated 12 to 15 percent at the end of 1993.

Real income will fall, there will be no growth in industrial production and the budget deficit in the first quarter of 1994 will amount to 15 trillion rubles (currently \$11.1 billion), or twice the level contained in budgetary planning just a few weeks ago, Mr. Fyodorov predicted.

While Mr. Aslund agreed with Mr. Fyodorov, warning that "the people who remain in government are the most conservative," Mr. Volynsky argued that there was too much hysteria about the Russian economy in the Western media.

Turning to industrial issues, Mr. Fyodorov insisted on the need for the radical restructuring of Russian companies. "It is obvious that there is now no industrial policy to speak of, that there should be massive closures with heavy reductions in the number of workers, and that we need to be much tougher on inefficient industries," he said.

Mr. Fyodorov added that as long

Yavlinsky and Fyodorov Talk Over Joining Forces

International Herald Tribune

DAVOS, Switzerland — In a bid to piece together the divided Russian reform movement, Grigori A. Yavlinsky, the newly elected leader of the Yabloko bloc in the Russian parliament, and Boris G. Fyodorov, who quit last week as finance minister of the Russian government, are discussing joining forces, the two men said.

Mr. Yavlinsky said: "We are talking about him joining my party. For me it would be a very big privilege if Boris would join my party. We're looking for a strategy of how to do that." He predicted the two would reach a solution "very soon."

Mr. Fyodorov said: "He made me an offer. I said I would think about it." The two went into a private huddle during a break in the World Economic Forum meetings here.

But Mr. Yavlinsky said that, despite the closeness of their ideas and their personal friendship, "it's not so easy" for his party to embrace a man who "came from a government that brought 30 percent inflation a month and a 52 percent decline in production."

It would be necessary to wait for a while before reformers could hope to return to power, he concluded.

Mr. Aslund said the problem went beyond cheap credit for industry. "The basic problem is that for a long time state enterprises didn't take the government seriously, and went back to their old ways of relying on the government to print money for them instead of trying more efficiency," he said. "We need to start everything new."

Mr. Volynsky contended that "Aslund sounds like a neo-Bolshevik and Fyodorov sounds like he comes from another planet."

When asked what Western governments and multinational organizations should do about aid now that the reformers have been shut out of the Russian government, the industry association president replied sarcastically: "The West should stop promising and start delivering, and governments should not facilitate arguments in Russia."

Mr. Fyodorov took a stern view, saying he was opposed to the IMF or others "bending the rules too much." He added that training and technical assistance were now more important than money. Mr. Aslund insisted it was still "important for the West to stay positively engaged."

When asked about the ability of Russia to service its more than \$30 billion of external debt, including \$24 billion of commercial bank debt, Mr. Fyodorov said debt re-

scheduling was "inevitable and it is under way." He said that just before resigning as finance minister he had been trying to prepare a medium-term plan for Russia's foreign debt, including a \$500 million payment to the London club of commercial bank creditors.

"Now that may not go ahead," he said, "I foresee trouble this year in keeping up on certain payments."

Mr. Volynsky ridiculed the problem of Russia's debt burden, complaining that Western governments had been more generous toward Poland's debt than Russia's. He changed the subject to note that Third World countries still owed Moscow about \$100 billion.

"Let the Western governments help us to recover our debts first," he said.

The Russian industry leader refused to be pinned down even when asked to list the most urgent steps needed to save the Russian economy this year.

"First, I would have the government renew negotiations with Fyodorov to return," he said, as the former finance minister shook his head. "I would stabilize relations with other former Soviet republics, then I would take into account regional economic interests within Russia and I would keep pressure on to support small and medium business."

In reply to the same question, Mr. Fyodorov said he would carry out a tough monetary policy, re-evaluate all budget spending by the government and cut planned first-quarter spending by at least 2 trillion rubles.

"I would also prohibit the prime minister or the president," he said, "from taking decisions not explicitly in the budget, which is very important in our country. I would start restructuring the 100 biggest enterprises and fire most managers, and I would fire the entire staff of the 1,000 people who work for Mr. Chernomyrdin and never allow them to return."

Mr. Aslund said that among the most critical steps to be taken he would seek to stabilize the ruble, dismiss the central bank chief, give the finance minister real authority over fiscal policy and make him second-in-command of the government.

The roundtable ended on a bitter-sweet note, with Mr. Volynsky half-glaring at a smiling Mr. Fyodorov. What was the biggest difference in their outlooks? "He believes in production and I believe in money," Mr. Fyodorov, in a reference to Mr. Volynsky's Soviet state-industry preference.

For his part, Mr. Volynsky smirked and nodded. "That's right," he agreed, "I believe in production and he believes in money."

PROFILES: A Look at the Ups and Downs of 4 Foreign Firms Doing Business in China

Continued from Page 7

during hot months, making Johnson's Raid electric bug-killing devices popular items even among the relatively poor.

On the other hand, they see people living in dreadfully cramped conditions, often a family of three occupying a small room, sharing a kitchen with several other families and using chamber pots instead of toilets. Demand among such people for, say, Pledge furniture polish or Johnson's bathroom cleaners is bound to be limited.

Johnson has learned a lot during the six years since it launched its operation. The company is faring better after some initial mistakes, which Mr. Hu admits were based on a "rosy" view of the market.

For example, he noted, a \$2.35 air freshener that appeals to the relatively high-income residents of Shanghai will not sell at all in the interior city of Chengdu, where the cost equals almost 7 percent of a typical worker's monthly pay.

Chung Shing Textile Co. Three years ago, when Chung Shing Textile Co. of Taiwan built a factory on the Chinese mainland to make its "Three Guns" brand of underwear, executives were not thinking much about selling to Chinese consumers. Rather, they were planning to do what thousands of other Taiwanese and Hong Kong firms have done: take advantage of cheap labor costs and export the factory's output to rich countries. In Chung Shing's case, the target market for the underwear was Japan.

At its plant in the outskirts of Shanghai, Chung Shing pays workers an average of \$60 a month, less than one-twelfth of what it must pay Taiwanese.

Not only did the company save substantial sums on its labor costs, but it also discovered that it could easily sell its production of underwear locally, even though a pair of its briefs costs almost \$5.

Chung Shing pulled off this coup because its underwear offered Chi-

nese consumers a whole new level of comfort. The Chinese have been living for years with garments made of cheap, inflexible cotton fabric. Chung Shing makes a cotton fabric that adjusts much better to the body's movements.

"Living standards are improving rapidly, especially in coastal cities," said Ko Tung Chou, the Taiwanese manager of Chung Shing's Shanghai factory. "So they can afford it and are willing to buy."

Avon Products Co. Barry Wong, general manager of Avon's operation in Guangzhou, remembers scouting the Chinese market during the late 1980s and noticing something important going on at department store cosmetics counters — or, more precisely, not going on.

Little interaction was taking place. Customers, presumably expecting the brusque service for which Chinese clerks are renowned, "would just pay and leave," recalled Mr. Wong. "No

one would ask, 'What color is suitable for my skin?' or how to apply the product."

So Mr. Wong drew a conclusion that has proved correct: An army of Avon ladies dispensing beauty tips would fare well here.

Chinese women stopped wearing makeup during the Maoist fervor of the 1960s and 1970s, because they were taught that painting one's face was a filthy bourgeois custom. These days, they generally prefer to look like the Hong Kong models they see on TV rather than paragon of socialist virtue. So the market is ripe for a company specializing in explanations of how to choose and use cosmetics.

Since starting operations here in September 1990, Avon has had trouble keeping up with the booming demand. In the first two weeks, according to Mr. Wong, Avon sold all its inventory, and in 1992, it sold \$4 million worth. That was just a sliver of Avon's annual worldwide

revenue of more than \$3 billion, but Mr. Wong believes that sales more than doubled in 1993 and are set to shoot up again this year.

Northern Telecom Ltd. It is not hard to understand why the China market generates a lot of enthusiasm at Northern Telecom of Canada. For every 100 Chinese, there are only 16 telephones, and the government has embarked on a big program to create a modern telecommunications system. By the year 2000, China plans to install three times as many phone lines as currently exist in Britain.

"We see China as the biggest telecommunications market of the next 10 to 20 years," said Arthur MacDonald, who heads the company's Chinese operations, which are headquartered in the Shenzhen special economic zone.

Is there a catch? Of course. Virtually every major telecommunications company is competing to grab a share of this business.

COMPARE: Weighing Step by Step and Big Bang

Continued from Page 7

moved in deliberate stages from agriculture to light and medium industries. There have been no real elections. Communist Party leaders have crushed pro-democracy demonstrations, jailed dissenters and kept restrictions on the press.

Still, even as Washington decries Beijing's disregard for human rights, living standards in China are rising swiftly and its economy is zipping ahead.

What lessons should be learned from Russia's obvious failure and China's apparent success?

William Overholt, a Hong Kong-based investment specialist, said in a recent book on economic development in China: "The notion that one can have all good things — democracy and all forms of economic liberalization — instantly and simultaneously is a deeply held belief that has no grounding in practical historical experience."

On the other side of the debate,

many analysts insist the performance of the two economies does not repudiate sudden liberalization. The Russian and Chinese economies are so different, they said, that meaningful comparisons are impossible.

Those who entreat Russia should emulate China's go-go development approach, asserted the economists Jeffrey Sachs, who has advised Moscow, and Wang Hye Woon, in a recent essay, "might as well advise Russia to solve its agricultural problems by shifting from wheat to rice."

The case against rapid reform comes down to this: Shock therapy unleashes chaos. If companies are privatized too quickly, there is confusion about ownership, management responsibilities, product liability and production strategy. If prices are liberalized all at once, inflation is virtually certain. If the central bank clamps down on the money supply to keep inflation low, unproductive enterprises will

go bankrupt, workers will lose jobs and social turmoil will follow.

Some U.S. analysts regard Beijing's heavy-handed rule as enlightened, compared with Russia's. By clamping down on dissenters, they contend, China's elites have kept pro-growth economic policies on track and spawned a middle class. Gradualists argue that, as in Asia's other high-growth economies, these new burghers will demand most gradually for new freedoms.

Throughout his tour of Asia, Mr. Reardon has emphasized that greater economic development and expanded trade are among the surest means of improving human rights.

Other observers, however, draw radically different conclusions from the Chinese and Russian experiences. Mr. Woo, an economist at the University of California, contended Chinese gradualism reflected deadlock among its political elites — reformers versus old-time Stakhanovites — not any centrally coordinated theory.

NASDAQ NATIONAL MARKET

OTC Consolidated trading for week ended Friday, Jan. 28.

(Continued)

Sales	High	Low	Close	Net
BOC	10.00	9.75	9.80	+0.05
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INTERNATIONAL RECRUITMENT

You will find below a listing of job positions published last Thursday in the International Herald Tribune under the International Recruitment Heading

POSITION/LOCATION	COMPANY
COMMERCIAL MANAGER/Russia	International Group of Service Companies
OPERATIONS MANAGER/Russia	International Group of Service Companies
VARIOUS POSITIONS/Geneva	UNHCR (United Nations High Commissioner For Refugees)
EUROPEAN GENERAL COUNSEL/Brussels	Medical Device Company
SENIOR COORDINATOR	Cisco Systems

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MAR...
GER...

HIGH-PROF...
ACTIVITIES

AVIN...

THE ESS...

FACTS AND FIGURES
Population: 10.1 million
Area: 35,751 square km
Capital: Santiago
Other major cities:
Managua (pop. 1.2 million)
Caracas (pop. 2.5 million)
Haiti (pop. 1.5 million)
Prime Minister: Jean-Pierre Laroche
Deputy Prime Minister and Minister of Economic Affairs:...

ADVERTISING SECTION

BADEN-WÜRTTEMBERG

MARKETS ARE REMODELING GERMANY'S 'MODEL STATE'

The last two years will likely go down in Baden-Württemberg's annals as a relatively short, uneven recession triggering a long-term, top-to-bottom restructuring of the state. Six quarters of economic contraction have been succeeded by one of rising industrial output and exports. At the recession's worst, declines of 4 percent were recorded, not unduly dramatic by current world standards, and certainly no cause for alarm considering the state's overall track record: five decades of

unparalleled, nearly unbroken industrial and export expansion, and a century and a half of unflagging innovation and enterprise.

Because the recession hit the automobile and mechanical engineering sectors — the state's showcase industries — especially hard, and because it was accompanied by a (continuing) rise in unemployment, it drove the state to the conference table, to the CAD/CAM computer's drawing board and to nearly all parts of the business world.

Over the last year and a half, Baden-Württemberg has been in convocation. In dozens of formal and ad hoc round tables, panel discussions and "special intersectional congresses," members of the state's business, financial, official and educational communities have been wrestling with a single, essential question: What has to be changed to retain our leadership in the world's high-tech markets?

A simple, fundamental answer has emerged, and is already being implemented: Put the world's markets to work remodeling the model state and the way its companies do business.

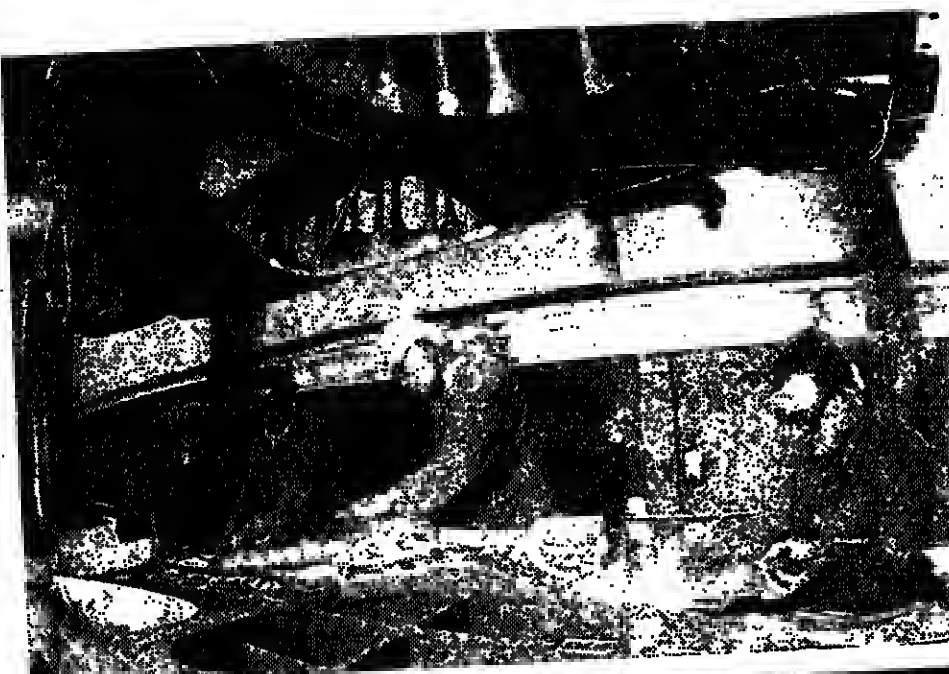
"Now, before our tinkers start tinkering and our rapid prototypers start pro-

totyping," says Dieter Spöri, Baden-Württemberg's deputy prime minister and minister of economic affairs, "they've been 'on-market' to Guangzhou, Monterrey, Buenos Aires, Kansas City, ascertaining on-line these markets' needs, price and feature expectations."

"For the better part of five decades, we had it very easy," says Werner Schmidt, chairman of the board of managing directors of Südwestdeutsche Landesbank, the state's leading bank. "We came up with advanced, highly reliable products, presented them to the world, and the world went ahead and bought them."

The state is still coming up with advanced products, and the world is still buying them. Over the last few years, Baden-Württemberg has kept its lock on the leadership of Germany's patents and exports-per-capita tables. Orders from non-German customers for industrial goods rebounded in the last quarter, powering the state to a 5 percent quarter-on-quarter rise in industrial production.

Judging by the slew of excited reports on path-blazing new products emerging from the state,



Building on the past: today's auto manufacturing continues the tradition begun by Carl Benz and Gottlieb Daimler in the 19th century.

Baden-Württemberg has never been busier. "If the world markets are now acquiring products," says Erwin Teufel, the state's prime minister, "it's because these items are new-generation products, not only designed for today's rapidly changing markets, but also generated by the markets themselves."



THE BLACK FOREST'S WHITE TABLECLOTHS

The mountains came cons ago, thrown up by seismic and volcanic activity. Trees, mostly conifers, flourished in the black soil left behind. They grew so thickly that the Alemanni, the local Germanic tribe, peered into the impenetrable gloom and called it the Schwarzwald — Black Forest.

Some of the Alemanni and their descendants braved the heights and isolation and made settlements in the forest. Most of them stayed on the Rhine side of the valley and cultivated vineyards, producing wine — and, eventually, a particularly sumptuous cuisine.

Mark Twain and legions of other late-19th-century wanderers came to hike the forest's depths in search of

wellness has become one of the region's two big "smokeless industries." Thirty-eight communities offer 158 different therapeutic facilities as well as sanatoriums and clinics.

Joining spa visitors and vacationers on the Schwarzwald's winding roads are restaurant critics and amateur — although no less dedicated — gourmets.

No area in Germany has so many gourmet restaurants. Baiersbrunn, a town of 16,000 located in the north Schwarzwald area, has eight alone, according to the Gault-Millau restaurant guide. The Schwarzwald area has 38 other comparable "gourmet communities."

Nor is culinary excellence confined to the western part



Typical of the area is the Schwarzwaldhaus, or Black Forest house, with its jutting roof.

unspoiled nature. Later, a host of less-athletic nature lovers would discover the forest via an incredibly winding grid of roads.

Here nature is still quite beautiful, although no longer unspoiled, and is now being appreciated by a different set of visitors in a different way.

It is the perfect setting for a spa: clean air, mineral springs — another product of the volcanic eruptions — and wooded surroundings.

From Freudenstadt in the north to St. Blasien, 140 kilometers to the south,

of the state. Two of Germany's top 10 restaurants are located in Wertheim-Bettingen and Ohningen, in the northern part of the state, while another is to be found in Ravensburg, near Lake Constance.

Still, the concentration of world-class restaurants is strongest in the Schwarzwald.

"At least when one does overindulge, the cure is always close at hand," says Christian Heydrich, a Freiburg-based amateur gourmet.

AN INVESTOR'S GUIDE TO THE REGION

Well before the Romans conquered Western Europe, this area was established as one of the main trading centers of the Continent. Today, the state's geographical variety is matched by its wide range of commercial activities.

Lake Constance-Upper Swabia: The lake and its northern bank are one of Germany's main tourist centers. This prime agricultural area produces a wide range of wines, dairy products and hops. Ravensburg and Friedrichshafen are major industrial centers, with large-scale aviation, medical-technology and consumer-goods sectors.

Upper Rhine-Lake Constance: This region includes the western end of Lake Constance and the state's southwestern corner. Konstanz is a sophisticated resort and university town. Singen features extensive research facilities and metallurgical engineering companies. A string of small cities stretching eastward from Weil am Rhein to Waldshut-Tiengen, along the Rhine's northern bank, are home to a wide range of chemical and textile manufacturers.

Southern Upper Rhine: Bounded by the Rhine to the west and the heights of the Black Forest to the east, this predominantly rural region's metropolitan centers include Freiburg, a center for tourists, university students and electrical and environmental engineers; Offenburg, with large-scale paper, chemical and printing industries; Willstätt; and Lahr. The volcanic soil of the Kaiserstuhl promontory produces some of Germany's finest wines.

Karlsruhe: Karlsruhe's widely diversified indus-

trial base is made up of advanced communications and information-technology systems, as well as chemical, paper, metal and food-processing companies. Rastatt, Gaggenau, Bruchsal and Ettlingen feature automotive engineering, consumer-durable and industrial sectors. There are a number of spas in the region, including Baden-Baden, one of the most famous in Europe.

Black Forest-Baar-Heuberg: Located at the

junction of two major rivers, several rail lines and highways, this fast-growing region has large-scale rolling and capital-goods, printing, chemical and food-processing sectors to go with its transport services. Leading manufacturing centers are Mannheim, Weinheim, Heidelberg and Wiesloch. The northern and eastern parts of the region, part of the Odenwald, are largely hilly and rural.

Northern Black Forest: This region is famed for its

neering and food-processing companies. Schwäbisch Hall, Crailsheim, Künzelsau, Ohningen, Wertheim and Taubersbischheim are important local manufacturing centers. The region has a wide range of medieval cities and other tourist attractions.

East Württemberg: Precision mechanics and optics, advanced industrial engineering, automobile components and textiles are this area's specialties. Heidenheim, Oberkochen, Aalen, Waldstetten and Gengen are its major manufacturing communities.

Ulm: Forming the state's eastern flank, this area produces a broad range of agricultural products. Over the last three decades, the historic city of Ulm has been the center of massive public- and private-sector investment, giving it a large-scale, diversified industrial sector and one of Germany's major research communities.

Reutlingen: The region's northern portion forms part of the Greater Stuttgart metropolitan area, while its southeastern corner is highly rural. Reutlingen, Albstadt, Metzingen, Balingen and Kusterdingen are its leading manufacturing centers, producing clothing, industrial systems and automotive components.

Stuttgart: Baden-Württemberg's capital is the center of one of Europe's major industrial regions. Automobiles and related components, industrial systems and equipment, telecommunications and information-technology hardware and software, consumer durables and non-durables are leading products. Stuttgart is the regional and state hub for financial and business services.

Heilbronn: The Heilbronn-Neckarsulm metropolitan area has a cluster of automotive, electrical-engi-



Aerial view of Stuttgart, the state capital.

spas and its excellent restaurants. Its industrial community is anchored by Pforzheim, Germany's watch- and jewelry-making "gold city." Mühlacker, Calw and Horb am Neckar feature diversified manufacturing sectors. This region is increasingly becoming a center for year-round tourism.

Heilbronn: The Heilbronn-Neckarsulm metropolitan area has a cluster of automotive, electrical-engi-

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FINANCIAL COMMUNITY'S LOCAL BASE UNDERPINS INTERNATIONAL OUTREACH

A region's financial sector is patterned after the business community it serves. Baden-Württemberg's businesses, collectively Germany's leading exporters, trade with, distribute from or produce at

727 of 848 banks are locally owned

locations all over the world. Correspondingly, Baden-Württemberg's banks have broad-based depth.

These highly international companies and banks are also highly local. They are rooted to an array of relatively small communities throughout this "non-centralized" state.

Nearly all of Europe's "core" economic regions have a predominant Milan, Barcelona or Paris accounting for the lion's share of output and business decisions. Not Baden-Württemberg. While one-tenth of the state's economic output does issue from the Stuttgart region, greater Stuttgart is actually an amalgamation of 10 historic business areas, including

Esslingen, Böblingen and Sindelfingen, each with its own highly developed corporate community.

Elsewhere in Europe, important companies tend to congregate in central economic regions. Here, too, Baden-Württemberg is an exception. Greater Stuttgart has Daimler-Benz (Germany's largest company), Robert Bosch (number 10) and about a quarter of the state's other top 50 companies. Heidenheim, Waiblingen, Weinheim, Oberkochen and nine other communities are home to the rest, including such famous names as Heidelberger Druckmaschinen AG (the world's largest producer of printing machines), Andreas Stihl KG (Europe's leading manufacturer of chain saws), the Freudenberg group (plastic-based engine components, sealants and non-wovens) and Carl Zeiss (precision optics).

For every one of these heavyweights, there are hundreds of "market movers," barely known outside their small towns or niche markets, but international business powers in

their own right. Following a 120-year-old tradition, all these companies bank locally and act internationally.

"For a variety of very understandable reasons, nationwide finance houses didn't really play a major role in either of Baden-Württemberg's two industrial revolutions," says Werner Schmidt, chairman of the board of managing directors of Südwestdeutsche Landesbank (SüdwestLB), the central banking institution of the state's 340 billion Deutsche mark (\$196 billion), 50,000-employee savings bank group.

"Both these revolutions involved locally founded companies with very new products — in the late 19th century, the automobile, the portable drill, boring and kneading machines, even the Zeppelin; in the 1950s, plastics processing machines, offset printing presses for newspapers and numerically controlled machines," says Mr. Schmidt. "These were not the quick-return, high-yield items that would capture the eye of faraway bankers."

The result, Mr. Schmidt explains, is that corporations and their work forces sought financing at the local level, producing a community-based financial sector in the state.

Today, 727 of the 848 banks with headquarters in the state are mutually and locally owned credit unions, savings banks and building societies, including 56 of the state's 60 largest banks. Many of these locally founded "mutuals" have gone on to become nationwide powers, including the Schwäbisch Hall and

Wüstenrot building societies.

A broad base of small-sized companies, a locally based financial system, 112 billion DM in annual exports — this configuration places unique demands on the state's international finance houses, according to Mr. Schmidt.

"A typical company in Baden-Württemberg has a turnover of 200 million DM and business relationships with 80 different countries," Mr. Schmidt explains. "Increasingly, these relationships involve more than the simple interchange of goods. Most state companies have extensive international networks of foreign offices, distribution centers and, in many cases, production facilities."

At the same time, for a variety of practical reasons — primarily the advantages of dealing with a trusted partner in one's own language and currency — Baden-Württemberg's exporters have displayed great loyalty to their Hausbanken (long-time bankers). As a result, the state's major banks have become experts in managing "site-to-site" international business relationships.

In conducting this multifaceted mass of financial and technical operations, the state's banks use a range of classic methods. In addition to maintaining subsidiaries, associates and offices in 19 international financial centers, SüdwestLB, the state's largest financial institution, has corresponding relationships with some 1,000 banks, plus access to another 700

Continued on page 14

THE ESSENTIAL BADEN-WÜRTTEMBERG

FACTS AND FIGURES:
Population: 10.14 million
Area: 35,751 square kilometers
Capital: Stuttgart (pop. 599,000)
Other major cities: Mannheim (pop. 318,000), Karlsruhe (pop. 279,000), Freiburg (pop. 196,000), Heidelberg (pop. 140,000)
Prime Minister: Erwin Teufel
Deputy Prime Minister and Minister of Economic Affairs: Dieter Spöri

State Government:
Minister President: Erwin Teufel
Minister of Economic Affairs: Dieter Spöri
Minister of Finance: Hans-Joachim Lauth
Minister of Education: Hans-Joachim Lauth
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GERMANY: BADEN-WÜRTTEMBERG

THE PRIME MINISTER DEFINES THE STATE'S ROLE IN EUROPE

Erwin Teufel has been prime minister of Baden-Württemberg since January 1991. After earning a degree in public administration in 1961, Mr. Teufel occupied a variety of local public positions. In 1972, he was elected to the state parliament and subsequently held a number of ministerial-level posts. Since 1992, Mr. Teufel has been vice president of the Assembly of European Regions. He recently spoke about his state's future in Germany and in Europe.

Your state's government, business and education communities have been engaged in an unprecedented round of deliberations mapping out an economic future for Baden-Württemberg. Where do you now stand in this process?

The first phase of inventory-taking and consulting has now largely been completed. Our "Economy 2000" commission has just come out with a highly detailed report analyzing in great depth what's been accomplished and what needs to be done in this state and who's going to do it — the state's companies and communities. The

unions and universities, my administration, even the role of the European Union in all this. The proposals are now being implemented. A newly established panel will monitor this implementation and will report on its successes and failures, and make any necessary changes along the way. This phase will be funded by the 1.1 billion Deutsche marks (\$647 million) realized from the privatization of state-owned building insurance companies.

From the latest economic figures, which show turnarounds in industrial production and orders from abroad and an end to declines in GDP, it would seem that the need for these measures has been at least partially obviated.

Our immediate economic troubles may well be coming to an end. Many of the international factors that caused them — the recession in all our major markets, the strong appreciation of the Deutsche mark against other major currencies — have substantially moderated. A number of forecasts have even predicted a bit of economic growth in 1994.

Unemployment is, however, going to remain a problem in the state for a good while. To alleviate it, I've asked two universities in Baden-Württemberg to come up with practical proposals — not more studies, we have more than enough of them —

but measures this state can take within the confines of our limited resources. The long-term restructuring of our economy, however, has just begun. Whether that's going to take three, four or five years is not in my power to say. Of course, many of the state's individual companies are much further along in this process. They went through their "shakedown phase" a year or two ago, and have reorganized, reoriented and repositioned. Many of them, quite a bit leaner and more aggressive, are recording gains in turnover, profits and exports.

Baden-Württemberg has been a leading advocate of regional-level ties, especially those within Europe. The European Union is not especially popular at the moment. Do you see these ties as an effective, alternative way of promoting European unity?

Very few of Germany's achievements — economic growth, reunification — over the last five decades would have been possible without the EU and its predecessors. Some 70 percent of Baden-Württemberg's trade is with Europe's countries. So European unity is not a distant goal for us, it's been a daily, highly appreciated fact of life for a long time. Our four decades of "being European" have shown us one important thing: greater unity shouldn't be equated



Erwin Teufel, prime minister of Baden-Württemberg.

with greater centralism. Nor does this unity have to be prescribed from above. Put simply, this means that there are responsibilities that can only be handled in Brussels, and just as many things best assigned to the local, regional or national levels. Because these lower-level, community-to-community, region-to-region interactions have generally been highly productive, they have built a groundswell of sentiment for Europe, for unity. One of these lower-level responsibilities is education in all its forms, operating systems of primary, post-secondary and professional education. There has been a highly fruitful exchange of experience, ideas and personnel with Rhône-Alpes, Catalonia, Wales, Saxony and our other partner regions, an exchange now being put to use in our outreach to Eastern Europe.

UNIVERSITY TOWNS FOCUS ON INNOVATION

Through a major program of investment in research facilities and technology transfer, Baden-Württemberg's nine historic university towns — intellectual centers dating back to the Middle Ages — have been transformed into centers of innovation.

The past is what millions of tourists discover each year in Heidelberg, Tübingen, Freiburg and Baden-Württemberg's six other university towns. They come to see the towers in which the Student Prince reigned, the tower in which Hölderlin waxed lyric, the streets that Hegel, Heidegger and Schiller walked.

Each year, these same cities welcome other kinds of visitors. Research fellows and venture capitalists come by the thousands, and their destinations are often not the historic city centers, but the tracts of anonymous-looking low-rise buildings in the surrounding areas.

These areas represent the present in Baden-Württemberg's university towns. They house university research departments, the public-sector Fraunhofer and Steinbeitz institutes, other applied and large-scale research centers, corporate research departments and the independent technology factories of dozens of budding companies.

In these buildings, budding Keplers, Geigers and Oppenheims have developed nanotechnologies, micro-sensors, fractally

organized production centers and other products and systems promising to revolutionize the world and our relationship with it.

This transmutation of university town to "universal center" is an important part of Baden-Württemberg's

The idea behind this clustering is generally and inaccurately called "technology transfer." A more appropriate term, according to Dieter Spöri, the state's minister of economic affairs, would be "interactive development."



Tübingen is one of Germany's oldest and most famous university centers.

approach to business development. Over the last few decades, the state has clustered its 200 research facilities in its centers of innovation. In addition to the university towns, these have included such manufacturing communities as Villingen-Schwenningen, Schwäbisch Gmünd, Sigmaringen and Reutlingen.

"We've taken stock of our communities' individual areas of strengths, and then provided them with the requisite complement of research and business development capabilities," says the minister. "After that, it's up to the communities' constituent elements to work together to develop viable products and services for

world markets." Ulm is a leading example of this interactive development. Its 600-year-old core centers on its majestic cathedral and is encased by fortified walls. Its university is a bit younger, having been founded in 1967.

Over the last two and a half decades, "Science City" has grown around and amid the university. This is a cluster of interactive development institutes: centers of laser-based medical technologies, applied knowledge processing, solar and hydrogen-based energy sources and 11 Steinbeitz Foundation agencies.

Science City has had a new resident since October 1992. Joining a range of other private-sector research centers, Daimler-Benz's 270 million Deutsche mark (\$156 million) facility employs a staff of 1,000, developing products and technologies in microelectronics, production and environmental engineering.

Lahr, in the upper Rhine Valley, has been home to 200,000 Canadian soldiers and civilians stationed at its NATO air base over the last three and half decades. By the end of 1994, the Canadian military community will be gone, but the airfield and its related facilities will be converted into a center of air-based logistic and other professional services. The 600-hectare site is to provide the rapidly growing Upper Rhine area with a "business link" to world markets.

'European unity is a fact of life'

pleted. Our "Economy 2000" commission has just come out with a highly detailed report analyzing in great depth what's been accomplished and what needs to be done in this state and who's going to do it — the state's companies and communities. The

THE ART OF THIS STATE IS COMMUNICATIONS

Within 10 years, the "photonic era" will be upon us, according to John Mayo, president of AT&T Bell Laboratories. Instead of electrons, photons will process and relay vast volumes of information and signals in and between computers and communications systems.

If Baden-Württemberg's scientists have their way, that era will come even sooner. Building on their successes with ultra-high-speed, high-capacity transistors, the scientists have come up with OEIC's (opto-electronic integrated circuits), the successor of today's microprocessors. OEIC's will form

the building blocks of tomorrow's "communication highways." A large-scale test track for these highways, called OPAL 5, has been in operation in the Stuttgart area since 1992.

This brand-new information transport technology will soon be put to work carrying some heavy cargo. The state's advances in sensorics are multiplying the amount and range of data to be relayed.

In 1991, 22.3 billion Deutsche marks (\$12.8 billion) was spent worldwide on sensors — the "five senses" of the technological world. According to a survey conducted

by Basel's Prognos market-research company, that figure will double by 2000, for a very simple reason. Distances and tolerances are now measured in nanometers, time in nanoseconds, and information in gigabytes. There is a surging demand for sensors capable of perceiving these ultra-minimal changes in concentrations of pollutants, in magnetic attraction and in surface characteristics, and then relaying this information on-line to computer-based monitoring networks. At latest count, there are 13,439

different kinds of sensors, many now featuring such exotic operating materials as algae (biocensors) and ceramics (for uses in 1000-degree-plus environments). Baden-Württemberg's research labs and medium-sized companies are centers of sensoric development. Their sensors not only gather data, they also use advanced communication technologies to feed it into operating systems. The state's success in designing tailor-made sensor packages has given rise to ASIS, or "application specific integrated system," replacing the current ASIC (application specific integrated circuit).

PINPOINTING AREAS OF GROWTH

Dieter Spöri has been Baden-Württemberg's minister of economic affairs and deputy prime minister since June 1992. After earning a doctorate in economics, he worked in a variety of corporate and institutional economic think tanks and taught at the University of Stuttgart. In 1976, he was elected to the Bundestag, serving there until 1988. Mr. Spöri is also chairman of Germany's Conference of Economic Ministers.

You've pinpointed "intelligent services" as a key area of future economic growth in Baden-Württemberg. Is there an ongoing move into such services in the state?

The service sector is growing in this state, as it is everywhere else in the world. On a percent basis, Baden-Württemberg's service sector is still relatively small, to be expected from a state with our strength in manufacturing. Actually, should one count the service subsidiaries and activities of such major manufacturers as Daimler-Benz, IBM or Bosch, you'd probably come up with a much higher figure. Certain types of services do much more than create jobs or raise the GDP. Production-oriented, communication and media services cause increases in operating output and allow companies to create new generations of products. That's why these catalysts for change are a main focus of our business development activities, of our model regions, data com-

munications highways, media factories and other projects and incentive programs. In any case, I believe it's counterproductive to base business development policy on a false distinction between the secondary and tertiary sectors, on what has become a statistical convention. Take a look at this state's breakthrough sectors — mass transport and traffic



Dieter Spöri, minister of economic affairs.

management systems, energy supply and microtechnologies — and tell me where the hardware leaves off and the software starts. It can't be done. These systems are integrated units and have been developed as such.

Baden-Württemberg's products get high marks for their technologies, performance and features. The rap: the products are often "over-engineered," too advanced for their respective markets. Do you agree with this analysis?

On a product-by-product basis, in some cases; as a

general description of the sector, definitely not. Engineers, inventors, tinkers — whatever you want to call them — transformed this state from Europe's poorest house into one of its most productive regions. That contribution shouldn't be overlooked. In the recent past, the engineers may have gone too far, producing masterpieces better than what their markets needed or wanted. Our challenge is to maintain this technological lead — a vital advantage in the world's highly competitive markets — while tailoring individual products to meet purchaser needs. In my contacts with state companies, I've noticed an encouraging trend. Corporate sales and marketing executives now have a greater amount of input into initial product design. If you look at the newest products from our state's companies, I think you'll notice the change. These products have been "market-sized." In one key way, the state's "tinkers" have, however, already done their job. First they took us from making clocks and watches to machines and chips and automobiles. Now their innovations are taking us into such high-growth areas as environmental engineering. The state produces 24 percent of Germany's "intelligent" environmental products. Some 800,000 jobs will be created in Germany's environmental technology sector by the end of the decade; 300,000 of those in Baden-Württemberg.

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Baden-Württemberg
Southwest Germany

The first choice among Europe's business regions.

Insurgent Gottnaden - Invest Where Progress Has a Future

FINANCIAL COMMUNITY'S BASE

Continued from page 13

through a working agreement with Standard Chartered Bank.

"Collectively, our customers generate volumes of capital and currency adequate to make the state one of Europe's major financial centers," says Mr. Schmidt. "A center, however, that is spread out over some 36,000 square kilometers. Through our 91 member financial institutions, Albstadt, Gengenbach, Ditzingen and the rest of the state's communities are interlinked with the world's financial markets and have on-line access to all its instrumentalities and services."

In one key regard, the paths of the state's business and financial communities

have recently diverged. Wrestling with a worldwide recession and resulting falls in trade-led demand, the state's industrial companies are now putting a year and a half of recession behind them.

For the state's financial sector, on the other hand, the last few years have been a time of steady expansion. According to official sources, the total volume of loans made by the state's banks to companies, consumers and communities rose from 313 billion DM in 1989 to 432 billion DM at the end of September 1993, with incoming funds — principally deposits — volume of stocks and securities transactions showing even more dramatic increases.

SüdwestLB did better than that. Capping years of



Werner Schmidt, Minister of Finance.

steady advances, its results for the first half of 1993 showed a 20 percent rise in total balance sheet sum to 135 billion DM, and a 22 percent increase in profits from ordinary activities.

Information

STUTTGART
Marketing GmbH

A World of Sights To Be Seen - And Experienced

Stuttgart's setting is truly one of Europe's great sights: seven hills surrounded by a magnificent, forested green belt. Vineyards drape the hills' slopes and extend all the way down into the city's central business area. This mixture of the cosmopolitan and countryside — plus an especially mild climate — is characteristic of the lifestyle in Stuttgart, capital of Germany's third-largest state.

Sites to be seen: such masterpieces of modern architecture as Stuttgart's Neue Staatsgalerie for modern art, which houses one of Europe's largest collections of Picasso, and the Wilhelmsplatz residential complex, with structures from Hans van der Rohe and Le Corbusier, from Walter Gropius and other major Bauhaus architects. Masterpieces of modern technology are to be found in the Porsche and Mercedes-Benz museums. The "Wilhelma" features architecture and masterpieces of a different sort: its antiques collections are home to Germany's only joint botanical gardens and zoo. Masters of the performing arts are the dancers of the Stuttgart Ballet, one of the world's greatest troupes.

Events to be enjoyed: Stuttgart turns itself into a "Weindorf" (wine village) at the end of August, providing vast quantities of both wine and high spirits. Cannstatt's Volksfest (the second-largest bear festival in the world) offers fun for the whole family and will be held from September 25th to October 10th this year. In December, it's time for Europe's largest (and most beautiful) Christmas market, which occupies all of Stuttgart's downtown area, and for the German premiere of "Miss Saigon," the international hit musical.

A prime site for sporting events: In 1983, all of Stuttgart thronged to attend the world championships of track and field. In 1994, the city will host the Eurocup Tennis Open in mid-February, the Württemberg tennis tournament in July, the international track and field meet at the end of August and the international equestrian tournament in October.

A place to relax and reconnect: nineteen springs are located within the city's limits, giving the city and its numerous spas Europe's largest supply of mineral water. Located within a short trip from Stuttgart are such attractions as Heidelberg, Baden-Baden, the Black Forest and Lake Constance.

A city to get to know: write, fax or call us, and we'll give you information on group and individual tours, special corporate rates, hotels and restaurants, ticket reservations and anything else you wish to know about Stuttgart.

Stuttgart-Marketing GmbH
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Stuttgart and its tourist authority

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Developing diversity and innovation: the Bruchsal business community is broadly based, a mix of large and medium-sized German and international companies active in everything from mechanical and electric engineering to food processing and textiles. The Bruchsal Center of Innovation and Trade is home to a number of state-of-the-art companies providing technological services.

Developing the markets of the present — and of the future: Bruchsal is located in the middle of three of Germany's most dynamic metropolitan areas: Mannheim, Heidelberg and Karlsruhe. Bruchsal's Ost-Akademie provides courses in business administration to executives from the CIS countries, thus helping further economic growth in the east.

Developing your business: our twelve contiguous communities offer a wide range of offices, facilities and sites. If you are looking for a place from which to develop your business, please contact us:

Regionale Wirtschaftsförderung Bruchsal GmbH
Mr. Wolfgang Kempermann
Dr. Karl-Meister-Str. 12/13
D-76646 Bruchsal
Tel.: (049-7251) 810 28 29
Fax: (049-7251) 890 03

Wirtschafts-Region
BRUCHSAL

Dr. J. K. K. K.

ADVERTISING SECTION

GERMANY: BADEN-WÜRTTEMBERG

ENVIRONMENT: NURTURING NATURE ON THE SHORES OF LAKE CONSTANCE

Lake Constance, or the Bodensee, is one of Europe's most beautiful and widely visited natural attractions. It is also Germany's largest lake and the Continent's largest reservoir of potable water, supplying 5 million people.

Keeping the lake natural, despite a growing influx of tourists, year-round residents, agricultural and industrial users, is the job of Baden-Württemberg's environmental engineering sector. Working with the

flowers. It is an attractive spot, as 7 million tourists discover every year. About half of them descend upon Konstanz, Oberlingen, Friedrichshafen and other communities on the lake's northern shore. Meersburg, a village of 5,500 inhabitants, records more than 250,000 overnight stays a year.

Many visitors come for the natural attractions, but stay for the economic ones. One of Germany's fastest-growing regions, the Bodensee's north shore is now home to more than 1 million people, giving it a population density 50 percent higher than that of the Stuttgart region. The inhabitants work for a mix of medical-technology, aircraft, apparel and board-game companies as well as in the region's flourishing food-processing sector. The north shore's hinterland is one of Germany's major sources of fruit, dairy products, hops and wine.

All too often, popularity and prosperity herald environmental pressure and the end of picture-postcard good looks. Although it has been neither easy or inexpensive, the Bodensee has tried to prove an exception to this rule.

In fact, the Bodensee's environment has been improving. Over the last 15 years, the amount of phosphates and

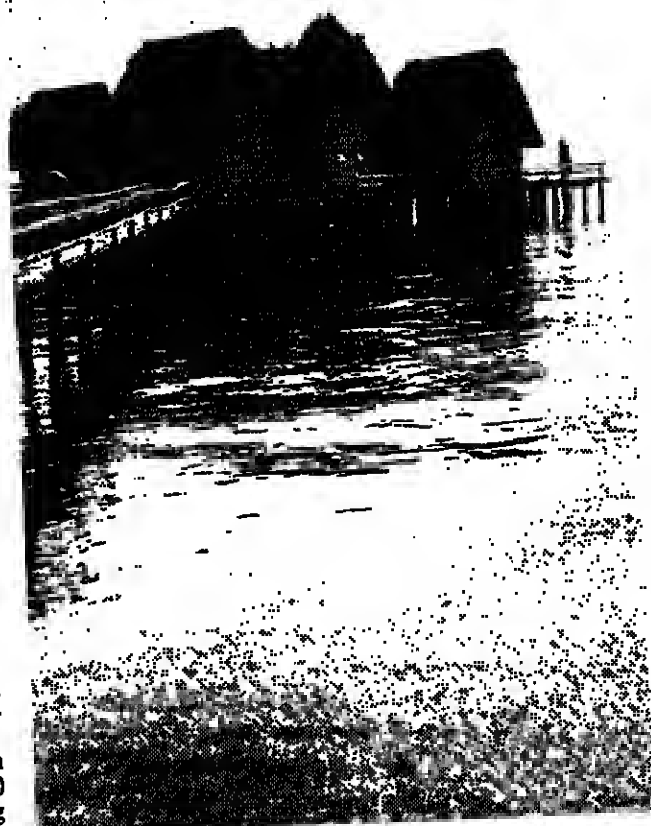
other pollutants in its waters has been reduced by between 50 percent and 75 percent, giving the lake a water rating of "very good." Some 18 kilometers of shoreline have been returned to nature, and traffic-generated noise and emissions sharply decreased.

This improvement is the result of the tri-country "Bodensee Area Environmental Program," consisting of 27 individual projects involving everything from better treatment methods for manure-based farm runoff to planting protective belts of wetland reeds.

Pollution-resistant ground cover, traffic-reducing train schedules and training programs for hotel staff members on waste-reduction methods are some of its other features.

The price tag: some 5.5 billion Deutsche marks (\$3.17 billion) in sewage and water-treatment facilities alone. A good portion of this money, of course, has returned to Baden-Württemberg.

The state's engineering sector, with its 1,000 companies and 100,000 employees, has provided everything from gas-fired electricity generating stations to the sensors implanted in the lake bottom.



Houses built on stilts on the shore of Lake Constance, a favorite tourist destination.

'HIDDEN CHAMPIONS' HAVE HIGH IMPACT

Baden-Württemberg has so many small, low-visibility, market-dominating companies that analysts have come up with a generic term for them: "hidden champions."

Like most of the state's 340,000 small and medium-sized companies, the names of these several hundred companies, all with annual turnovers of 500 million Deutsche marks (\$289 million) or less, are by no means household words. Their products, however, are a common part of everyday life.

If a skating rink, train station or office-building entryway happens to feature an exceptionally wide span of steel girders and struts, chances are it came from Stahlbauwerk Müller Offenburg (SMO) GmbH & Co. KG. Its number-one area of business is gas stations — "nearly all of those in southern Germany and

most of those in Eastern Germany," according to the Süddeutsche Zeitung. SMO, founded in 1842, recently recorded an 18 percent rise in annual sales.

To unwrap a consumer or pharmaceutical product is to encounter the work of Gerhard Schubert GmbH's machines. Using state-of-the-art CNC (computer numerically controlled) technologies, this

Crailsheim-based company's systems package and wrap products. Its success in selling its systems to such corporate giants as Johnson & Johnson, Bausen and Jacobs Suchard has given the company a 10 percent rate of profitability and a 15 percent rise in annual sales.

New from the company is the "picker." This highly maneuverable assembly-line robot can grasp and transport up to 250 items — cookies, for instance — a minute.

Pollution reduced by 50 percent to 75 percent

lake's other users — Bavaria, Switzerland and Austria — the state has implemented far-reaching, integrated environmental management systems.

The lake is framed by the snow-crowned Alps and fed by of Europe's most storied rivers, the Rhine — at this stage a relatively pristine, rushing torrent. Thanks to a unique configuration of geography and winds, its banks are lined with palms and other flora typical of the subtropical climes of Southern Europe, including banks of orchids on Mainau, the "island of

TOP DESIGN FIRMS SERVE THE GLOBE

In another state the news might have created more of a stir: frogdesign, located in Altensteig, on the eastern flank of the Black Forest, was named "Germany's design team of the year" for 1993.

The news coincided with another coup: frogdesign was also selected to design a corporate package and an "informator" (an ultra-small "bathtub television") for RTL, Germany's most successful broadcaster.

But for a number of reasons, the official community, design trade reporters and the general public treated these events as a matter of course. Frogdesign has made a habit of winning awards — 300, according to the company's latest count

— and contracts. Its list of clients includes Toyota, Panasonic, Yamaha, Apple, Eastman Kodak and Hewlett-Packard.

The truth is that successful designers have become a staple of Baden-Württemberg. Sany Design and Moll Design had preceded frogdesign to the winner's circle in recent years. According to a recent estimate by a Munich-based industrial designer, "Fully half of Germany's international designers are based in Baden-Württemberg."

These companies have built up a stable of international clients: Sony's new line of radios and the new logo for Philips are just two examples of their work.

Nor do the state's design



Frogdesign's answering machine for AT&T, one of many international clients.

efforts go exclusively abroad — quite the opposite. Those who don't have an eye for a snazzy telecommunications console or an elegant satellite antenna

may appreciate a few of Baden-Württemberg's other design masterpieces: Porsche and Mercedes-Benz sports cars, Vitra chairs and Boss suits.

HOME ON THE SCHWÄBISCHE ALB

There are a number of uplands in Central Europe. The most imposing and famous are, of course, the Alps and their individual ranges.

The Schwäbische Alb (literally, "Swabian Upland") extends 200 kilometers to the northeast from its larger Swiss namesakes. While the Alb's highest peak reaches 1,000 meters, its rise from the Danube and Neckar valleys is often gradual and wayward.

Its peaks do provide a number of highly visible prominences. Although only 850 meters high, the fortress of Hohenzollern dominates the landscape for miles around, a majestic reminder of its iron-willed, iron-nerved dynasty. In the 15th century, the Hohenzollerns took a very large gamble. They swapped their

family trove, acquired through centuries of penurious parsimony, for the rights to a half-civilized, half-waste "march" of land — the Mark Brandenburg — including its village capital: Berlin.

While Berlin and the rest of Germany have become highly urbanized, high-powered entities, the Alb has stayed much the way it was: an area of uncluttered landscapes and wonderful rib-sticking food. In English and in German, "down" teams up naturally with "home" and its various delights, as in "down-home cooking." For hundreds of thousands of campers, returning sons and daughters and other visitors, "up" — as in "up on the Schwäbische Alb" — is the way to go for an old-fashioned kind of rural home.



The Schwäbische Alb has retained much of its historic wilderness.

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Today's goods, money and capital cross almost any border. Those who want to be successful in the big markets have to have the best global connections. This includes first-hand information and profound knowledge of domestic and international markets. SüdwestLB and its subsidiaries will connect you directly with all the important economic centers in the world. Located in Southwest Germany, SüdwestLB is not only the central bank of the savings banks in the State of Baden-Württemberg but also one of the major commercial banks with domestic and international activities. And it can do a lot for you.

Just get in touch with us at our head offices: SüdwestLB, Lautenschlagerstrasse 2, 70173 Stuttgart, Germany, and SüdwestLB, Augustaanlage 33, 68165 Mannheim, Germany. Or give us a call either in Stuttgart (+49) (711) 127-0 or in Mannheim (+49) (621) 4 28-0.

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BRUSSELS	234	ROTTERDAM
DUBLIN	129	TOKYO
ISTANBUL	243	WARSAW
IZMIR	330	HONG KONG
COPENHAGEN	354	LONDON
MADRID	235	LUXEMBOURG
MILAN	378	NEW YORK
PARIS	224	ZURICH
VIENNA	085	MOSCOW
BUDAPEST	109	PRAGUE
KIEV		

SüdwestLB
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MONDAY SPORTS

SCOREBOARD

NBA Standings

EASTERN CONFERENCE			
Team	W	L	Pct
New York	21	11	.656
Orlando	20	12	.625
Atlanta	19	13	.594
New Jersey	18	14	.563
Phoenix	17	15	.529
Philadelphia	16	16	.500
Washington	15	17	.469
Charlotte	14	18	.438
Cleveland	13	19	.406
Indiana	12	20	.375
Milwaukee	11	21	.344
Detroit	10	22	.313

WESTERN CONFERENCE			
Team	W	L	Pct
Portland	21	11	.656
San Antonio	20	12	.625
Utah	19	13	.594
Denver	18	14	.563
Minnesota	17	15	.529
Dallas	16	16	.500
Seattle	15	17	.469
Phoenix	14	18	.438
Golden State	13	19	.406
L.A. Clippers	12	20	.375
Sacramento	11	21	.344

NBA Standings (Continued)			
Team	W	L	Pct
Los Angeles	20	12	.625
San Diego	19	13	.594
Memphis	18	14	.563
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Major College Scores

FRIDAY'S RESULTS

Alabama 34, Auburn 10	Georgia Tech 34, Georgia 10
Florida 34, Miami 10	LSU 34, Texas A&M 10

SATURDAY'S RESULTS

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Florida 34, Miami 10	LSU 34, Texas A&M 10

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Team	W	L	Pct
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Philadelphia	20	12	.625
Pittsburgh	19	13	.594
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MONDAY SPORTS



Rescue workers could do little to save Ulrike Maier, who was pronounced dead after being airlifted to a hospital from the downhill course at Garmisch-Partenkirchen.

MAIER: Austrian Star's Death in Race Leads to Controversy Over Safety

Continued from Page 1

citiation and heart massage before Maier was flown by helicopter 25 kilometers to a hospital in Murnau, near Munich.

"She had no chance," said Ginter Hofmann, a co-director of the hospital. "Her neck was broken, the main artery was ripped, and no surgery was possible."

Doctors said the main injury had occurred when her helmet flew off.

Maier, who was fourth in the World Cup overall standings and one of her country's best hopes at the Olympics next month, won the 1989 world Super-G title while three months pregnant with Melanie.

She took time off from World Cup circuit to care for her daughter and to allow a knee injury to heal, then returned to successfully defend her title at the 1991 championships in Sapporo, Japan.

Herwig Demtsch, the Austrian women's team coach, said Maier had not been nervous before the start of the race.

"In fact she was highly motivated and eager to race," he said.

Michelle Ruthven of Canada, who finished third in the downhill, knew Maier and said that her death "really upsets me."

But, she added: "There is enough netting and safety run outs. She had a freaky fall. You can't really blame anybody."

Some coaches and skiers criticized the icy conditions on the course, however, and felt it was too dangerous.

"A lot of coaches felt that way," said the Canadian coach, Don Lyon.

The U.S. coach, Krista Schmidinger, said the track "was like sheer ice, like trying to survive your way down."

"The conditions on the hill were poor," she said. "It was a really inconsistent track, a sheet of ice in some sections and soft in others."

An overnight snow storm dumped a layer of fresh snow on the track and the race was delayed an hour while officials prepared the course.

The tragedy was one of several to hit Austrian skiing in recent years.

In 1992, Peter Wirsberger died after hitting a wooden fence while on a ski outing with a girlfriend. The previous year, Gernot Reinstadler died after a crash in downhill training, and the world giant slalom champion, Rudi Nierlich, and the women's team coach, Alois Kahr, were killed in car crashes.

Maier's death is the 23rd among leading skiers since World War II. Twelve have been killed during racing or training, but Maier is only the third woman to die.

Skiing Deaths Since 1959

1959 Toni Mark (Austria), John Semmelrock (Canada)
1964 Ross Milne (Austria), Walter Muesner (Italy)
1969 Silvio Suter (Switzerland)
1970 Michel Besson (France)
1972 David Dutton (U.S.)
1973 Michel Dutoit (France), Markku Vuorola (Finland)
1975 Leonardo David (Italy) (deaths of skiers sustained in 1984 after years in coma)
1977 Gernot Reinstadler (Austria) (died skiing shortly after a downhill)
1981 Karin Thurn (Sweden)
1984 Ulrike Maier (Austria)



Maier at a 1993 race with daughter Melanie, who was born in 1989.

Tomba, Pains and All, Gets 3d Slalom Victory

The Associated Press

CHAMONIX, France — Alberto Tomba, the loser five days earlier to a squash court wall, won Sunday's men's World Cup slalom race despite his aching shoulder.

The stocky Italian took the lead with his first run and held onto it with a final time of 2 minutes, 1.37 seconds.

Tomas Fogdöe of Sweden was second in 2:02.34. Jure Kosir of Slovenia and Thomas Sykora of Austria tied for third at 2:02.78.

"I had a large pain in my shoulder last night," Tomba said. "I only decided this morning to run. I couldn't warm up properly, and took an injection for the pain."

He is the only Alpine skier to win consecutive Olympic gold medals in the same event, the giant slalom titles in 1988 and 1992, and he won the slalom gold medal in 1988.

He has not won a giant slalom this season but moved into the overall lead in the slalom standings with 440 points off three slalom victories, plus a second and a third in the seven races this season.

Thomas Stangassinger of Austria, the slalom leader before the race, dropped to second. He was 15th after the first run.

News of the death of Austrian Ulrike Maier in Garmisch-Partenkirchen, Germany, had reached Chamonix early Saturday evening.

Fifth was Finn Christian Jagge of Norway with surprising Frenchman Sebastian Amiez sixth. Amiez had the best time in the second run, 1:01.44 to Tomba's 1:01.95.

But the Italian was the only skier under a minute in the first run, 59.42 while Amiez, starting in the 36th slot, was 14th in 1:01.77.

After the first run, Tomba bent over in pain. After the second run he just rubbed his shoulder.

"There was some pain at the beginning of the first run when I pushed too hard and at the third gate I even shouted," he said. "That's why you saw me bend over after the first run. On the second run it was O.K."

Kjetil André Aamodt added to his overall lead by winning the combined race. He won Saturday's downhill and was 21st in the slalom race. The times are added together for the combined event.

Five-time overall champion Marc Girardelli of Luxembourg, in second place, hooked a gate and fell during the first run.

The men's next race, a downhill, is scheduled to be run in Garmisch-Partenkirchen next Saturday. However, the course was closed Sunday as an investigation was conducted into Maier's death, and a decision on the men's race was expected to be made by midweek.

Aamodt got his first World Cup downhill victory Saturday in what he hoped was a good omen for next month's Olympics in his home country.

He was timed in 1:58.35 seconds, with Jean-Luc Creux of France second in 1:58.69 and Hannes Trinkl of Austria third in 1:58.87.

"To win a downhill was a goal for me," Aamodt said. "I knew I could win a downhill since my fifth place in Kvitjell last year. I understood I had the possibility to win a downhill race. Last week I was just six-hundredths behind the winner in Wengen."

Kvitjell, Norway, will be the site of the downhill race at the Winter Olympics, which begin Feb. 12.

Creux, who came back from a fall at Wengen, said, "I was still having trouble walking four days ago. I still have some pain in my knee. You needed a lot of power on the last part of the course where it was icy and hard."

• Toni Nieminen, 18, gold medalist in the individual high hill event and team jumping at the 1992 Olympics, has been let off Finland's team for the Lillehammer Games after a poor showing in the weekend's national championships, the news agency STT reported.

Italian Kostner, 18, Wins Marred Women's Downhill

The Associated Press

GARMISCH-PARTENKIRCHEN, Germany — Italian teenager Iselle Kostner got her first World Cup victory in the downhill race overshadowed by the crash that killed two-time world champion Ulrike Maier.

The race was interrupted for about 30 minutes while Maier was taken from the hill by helicopter. Most of the competitors did not know she had died.

The helicopter appeared to have blown some snow off the course, the temperature dropped and, when competition resumed, the icy course was much faster than it had been.

The top six finishers started after Maier's crash.

Kostner, 18, and in her first World Cup season, posted a time of 1 minute, 44.04 seconds to win on the 2,865-meter long course.

Melanie Suchet, a 17-year-old rookie Frenchwoman, finished second in 1:44.68, with Michelle Ruthven, a 26-year-old Canadian, placing third in 1:44.75.

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Skater Linked Ex-Husband to Attack

Continued from Page 1

PORTLAND, Ore. — Tony Harding's former husband, Jeff Gillooly, would not testify before the figure skating jury investigating the case, only after FBI agents showed him a statement by her linking him to the attack, a Portland newspaper reported Sunday.

The Oregonian newspaper quoted Jeff Gillooly's brother, John, as saying his brother was summoned that Harding had abandoned a "cover story" the couple had discussed.

It said Gillooly's attorney had tried for some time to convince him that Harding did not believe it until the FBI showed him a deposition that Harding made during a meeting with agents Jan. 18.

Gillooly was arrested Jan. 19 in connection with the Jan. 6 attack on Kerrigan in Detroit.

The Oregonian quoted Gillooly's attorney, Ron Hoevel, as saying the skater's version was accurate.

"Jeff would have fallen on his sword for Tonya, if Tonya had told him the truth, but she didn't," it quoted Hoevel as saying.

Gillooly persisted for some time in believing Harding would not implicate him, Hoevel said, but when authorities showed Gillooly her 46-page deposition, "that finally convinced Jeff that Tonya had implicated him."

Gillooly has negotiated a plea bargain with authorities under which he will testify that Harding was involved in the plot from the beginning, according to reports.

The reports, which have not been officially confirmed, say Gillooly will plead guilty to a charge of racketeering and be sentenced to two years in prison and a \$100,000 fine for his part in the plot.

Gillooly spent about two hours considering an alternate skater for the Games.

The Detroit investigators reportedly have information that Harding asked for the number of Kerrigan's hotel room before the attack and made several calls to Eckardt the day of the assault.

The Oregonian and the Detroit Free Press reported that Harding was given Kerrigan's room number by a clerk just hours before the attack. The Oregonian said the information was subsequently relayed by fax and phone to the assailant.

Kerrigan was not assaulted in the hotel but following a workout at an arena.

A Detroit television station reported that telephone records showed seven calls were made from the hotel on Kerrigan's credit card the day of the assault.

Meanwhile, the U.S. Figure Skating Association is strongly considering sending Michelle Kwan, 13, to the Games in Lillehammer, Norway, as an alternate.

Harding, 23, insists she is innocent, although she has acknowledged that she kept silent for days after learning that people close to her were involved in the attack.

Meanwhile, investigators in Detroit reportedly looked at phone records damaging to Harding. And U.S. figure skating officials were considering an alternate skater for the Games.

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Chavez Loses First as Randall Gains WBC Title

The Associated Press

LAS VEGAS — Julio Cesar Chavez finally lost a bout, and this time it was official.

Frankie Randall knocked down Chavez in the 11th round Saturday and won the World Boxing Council super lightweight championship on a split decision.

It was the first defeat in the illustrious career of Chavez, 31, although many thought he had lost to Pernell Whitaker on Sept. 10 in a fight judged a majority draw.

"Not this time," the promoter Don King said to Chavez just after the fight ended.

Judge Chuck Givens of Las Vegas scored it 116-111 and judge Angel Guzman of Puerto Rico saw it 114-113, both for Randall, who got the victory on the strength of two penalty points assessed Chavez

by the referee, Richard Steele. Judge Abraham Chavez of Mexico scored it 114-113 for Chavez.

"I'm out of here, I'm still the champ," Chavez snapped afterward, adding that he wanted a rematch.

The victory by Randall, a 15-1 underdog despite entering the fight with a 46-2-1 record with 39 knockouts, was the feature match of a championship tripleheader before an estimated crowd of 12,500 at the MGM Grand Hotel.

Felix Trinidad defended the International Boxing Federation welterweight title with a one-sided decision over fellow Puerto Rican Hector Camacho.

Simon Brown defended the WBC super welterweight title with a majority decision over Australian Troy Waters.

Chavez, of Mexico, complained bitterly about the decision. "He never hurt me. How could he have won the fight?"

"Yes, I'm very shocked. The knockout surprised me but you can't judge a fight by one fall."

Low blow penalties cost Chavez the title, although Randall had to be given a great deal of the credit for the shocking upset.

He out-jabbed Chavez, scored well with counters and kept him off balance. Chavez is now 89-1-1 with 77 knockouts.

Barber Wins in Cardiff

Leonard Barber of the United States floored Nicky Piper of Wales with a left hook that led to a ninth-round knockout Saturday, allowing him to retain his World Boxing Association light heavyweight title for the fourth time. The

Associated Press reported from Cardiff, Wales.

Piper got up at the count of eight, but Barber powered forward and used a right hand to put the challenger down again. When Piper got up, the referee, Ismael Quinones-Faltu, stopped the fight.

Piper, who lost a WBC super middleweight challenge to Nigel Benn of Britain 13 months ago, built up a lead with fast combinations in the early rounds and looked in control before the American delivered the big punches.

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